



P R E F A C E

The importance of a Standard Operating procedures for establishing, recording and summarizing events and their proper accounting and reporting are acknowledged for any organizational success. Standard operating procedures with their implementation at right time are necessary to enhance a company's competitive superiority, efficiency, performance and value addition.

This document contains procedures for purchase of consumable goods, non-routine stores and routine stores.

This document offers an expanded treatment of purchasing events and their issues with specimen available to make the document user friendly and implement able. **The manual also assumes working in a fully automated ORACLE 9i/Developer 2000 based environment, which is completely networked as well as parameters and outputs standardized across the whole Group.**

This document consists of **five** sections. **First section** presents the structural formation of purchasing activity at Hashoo Group. This involves the organogram, committees, product categories and authority matrix. **Second section** outlines the requirements as to the Sourcing, Introduction, Conduct and Evaluation of suppliers dealing with the Group. **Third section** handles the bidding procedures to be followed by the purchase department before finalizing the prospective supplier. **Fourth section** discusses policies and procedures for purchase to be followed. Finally, the **Fifth Section** comprises of standard documents and specimens of output reports.

This document takes care of entire purchase activity to be followed both at the property level as well as at Corporate Purchase Department operating from the Corporate Office.

Respective departments concerned also need to refer to the following while conducting any purchase activity.

- i. Listing regulation of Karachi Stock Exchange and the Income Tax Ordinance 2001 in respect of Related Party Transactions/transfer pricing.
- ii. Section 73 of Sales Tax Act 1990 for inadmissible transactions
- iii. Notification No. SRO 97(1)/2002 of February 12, 2002 and Circular No.05 of April 11, 2002



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**SPECIMENS OF STANDARD PURCHASE DOCUMENTS:
(MANUALLY AND AUTO-GENERATED)**

SPECIMEN OF STANDARD REPORTS (MANUALLY AND AUTO-GENERATED)

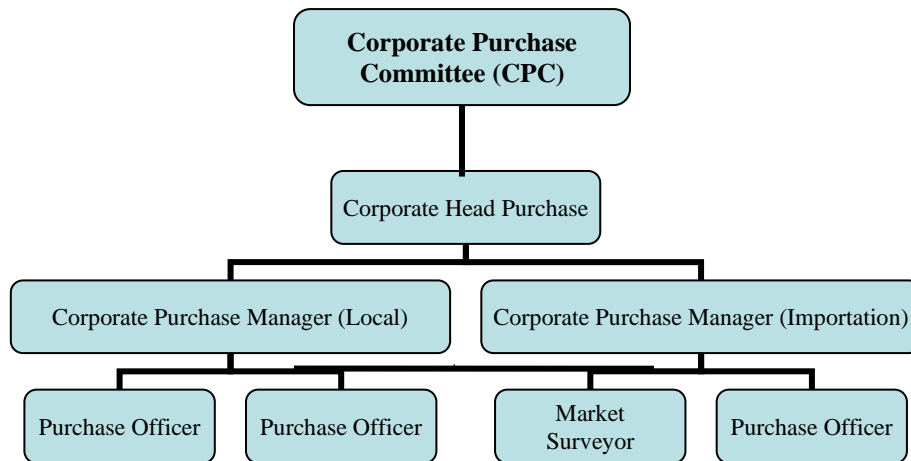


SECTION I

PURCHASE FUNCTION- STRUCTURE



Corporate Purchase Department





PURCHASE DEPARTMENT PROPERTY



Purchase Committees:

Bid Opening Committee:

This committee shall consist of the following:

- Corporate Head Purchase/Purchase Manager
- Controller Finance-PSL/HHL/ADF Property
- Administration Manager-PSL/HHL
- Head of Requisitioning department (at property)

Negotiation Committee:

This committee shall consist of the following:

- Corporate Head Purchase/Purchase Manager
- Corporate Purchase Manager/Asstt. Purchase Manager
- Corporate Director Finance/Director Finance-Property

Corporate Purchase Committee (CPC):

This committee shall consist of the following at Corporate Office:

- Sr. Executive Advisor
- Executive Director-HHL/PSL
- Corporate Director Operations
- Corporate Director Finance

At property level, it shall consist of the following:

- General Manager
- Director Finance

In special cases, as deemed necessary by the Corporate Purchase Committee, approvals of Corporate Director Engineering, F & B and the CEO should be obtained.

Supplier Approval and Appraisal Committee: (SAAC)

This committee shall consist of the following:

- Corporate Head Purchase/Purchase Manager
- Assistant Director Finance /FC Corporate office
- Representative Food & Beverage (Corporate/Property)
- Representative House Keeping Department (Corporate/Property)
- Representative Engineering Division (Corporate/Property)
- Representative from Corporate Office



GLOSSARY:

PM	Purchase Manager
CHP	Corporate Head Purchase
PO	Purchase Order (incl. Standing and Corporate Purchase Order)
P off	Purchase Officer
PR	Purchase Requisition (including Corporate Purchase Requisition)
PD	Purchase Department
CPD	Corporate Purchase Department
CER	Capital Expenditure Requisition
CPC	Corporate Purchase Committee

-Purchase item categories

Keeping in view the requirements of the properties, the purchase items are grouped into following main categories:

- Capital Goods: Equipment and Machinery
- Non-routine stores: Both durable and consumables
- Routine stores: Consumables procured on repetitive basis

-AUTHORITY MATRIX:

All POs initiated at the property within budget for that category of expense shall be approved by PM, Director Finance and General Manager.

The Corporate Purchase committee shall approve all POs executed at CPD.

All Capital expenditures to be incurred (without any minimum limit) and major repairs and renewal expenses above **Rs.100,000/-** shall be documented, three quotes attached, supplier recommended and approval taken prior to commitment through a Capital Expenditure request (CER), from the Corporate Purchase committee.

No commitment, understanding or PO shall be issued to any vendor unless the relevant authorities approve the transaction.



SECTION II

SUPPLIERS



-Market Survey and Identification:

The PD/CPD shall undertake to conduct necessary market surveys locally and internationally to locate quality, cost effective and financially sound suppliers.

If the purchase is required to be sourced through a local or international supplier, the PD/CPD shall make the short-listing of suppliers. The market surveyor shall update the information regarding the availability of suppliers. This shall include an updated list of short listed suppliers, pre-qualified suppliers or the suppliers with whom there are existing agreements.

After each revision, the market surveyor shall maintain an updated listing accordingly for reference.

-Pre-Qualification procedures:

The PD/CPD would provide approval to suppliers who meet the institution's criteria for such approval. The purpose of this exercise is to ensure that suppliers consistently provide acceptable products.

This procedure applies to all suppliers.

Criteria for approval and appraisal of suppliers:

- Suppliers Approval and Appraisal Committee (SAAC) will be responsible for the process of approval and appraisal of suppliers. Relevant Purchase officers and users viz. F & B, Rooms, Engineering etc. will act as revolving members of the committee.
- Orders may be issued in favour of approved as well as non-approved suppliers. However, orders in favour of non-approved suppliers will undergo enhanced level of analysis.
- Suppliers should possess relevant hygiene/best practices certificate, wherever applicable and practical.

A potential supplier after being short-listed by market survey should fulfil the following criteria to become an approved supplier:

- ✓ The supplier should have a legitimate business address and work place.
- ✓ The supplier should have data as well as voice communication facilities.
- ✓ The supplier should have a valid bank account.
- ✓ In case of domestic supplier, the supplier should have Sales Tax / NTN Certificate, as applicable and practicable.
- ✓ The supplier must obtain at least 70% points in initial evaluation, the criteria for which is defined in Annexure "A" below:

Exceptions:

Certain circumstances may force the PD to procure goods from Non-Approved suppliers. Some of the exceptions could be as follows:

- Where it is necessary to place a PO for an urgently needed item.
- Where the supplier is a monopoly product supplier.
- Where the total value of purchase is not significant.

Procedures:

- I. The Computer based Purchase System will trigger the supplier's approval process as soon as the order value in favour of a particular supplier exceeds Rs.50, 000 and number of purchase orders increase from one.
- II. Suppliers, who have secured business more than Rs.50, 000 and number of purchase orders have increased from one, would be considered for approval. However, PD/CPD would still be able to issue POs in favour of the supplier.
- III. Relevant P off would be responsible for arranging all required information from supplier as well as taking input from relevant user and technical department. For all within city suppliers, purchase officer and PM/CHP must visit the supplier's site prior to recommending the supplier for approval. In case of need, such visit could be undertaken for other cities of Pakistan with prior approval of competent authority or assistance sought from nearby property as well as internationally.
- IV. The compiled information would be forwarded to SAAC for consideration and approval.
- V. The supplier would be issued a letter containing results of evaluation.
- VI. This evaluation process must be completed before the order value reaches Rs.100, 000.
- VII. If the value of initial order in favour of a new supplier is more than Rs.100, 000, the approval process must be completed prior to issuing an order.

Annexure A

		DOMESTIC SUPPLIERS	INTERNATIONAL SUPPLIERS
1.	End User / Technical Input		
1.1	Service / After Sales Support	05 points	05 points
1.2	Quality of supplied products	05 points	05 points
1.3	Technology & Process employed	05 point	-
	Total	15 points	10 points
2.	Purchasing Department input		
2.1	Responses to RFQ's Enquiries	05 points	05 points
2.2	Meeting urgencies	05 points	05 points
2.3	Update on new developments	05 point	05 points
2.4	Product knowledge	05 points	05 points
2.5	Timely delivery	05 points	05 points
	Total	25 points	25 points
3.	Quality Certification	10 points	15 points
	Total	50 points	50 points

-Bench Marking and Evaluation:

The CPD/PD would appraise suppliers according to the established criteria on an annual basis. The purpose of the policy is to ensure that suppliers consistently supply acceptable products to the institution on a timely basis.

This policy applies to all approved suppliers securing orders worth more than Rs.100,000/- in the financial year of appraisal.

Criteria for evaluation of suppliers' performance:

The evaluation of performance of suppliers will be made as per criteria stated in Annexure "A" below.

Suppliers' Approval and Appraisal Committee (SAAC) will be responsible for the process of approval and appraisal of suppliers. One representative of each relevant end user viz. F & B, Rooms, Engineering etc. would be nominated as member of the committee. Relevant P.off would also be invited for their input.

All approved suppliers must obtain at least 75% points in evaluation to maintain their status of "Approved Supplier".



Any approved supplier who obtains between 50% and 75% points on their appraisal will be put on probation for one year. If they fail to obtain at least 75% points in subsequent appraisal, their status would be relegated to a “Non Approved Supplier”.

Any approved supplier, who obtains below 50% points in their evaluation, will be relegated to a “Non-Approved Supplier”.

Once relegated, the supplier will have to go through the same criteria for approval as defined earlier.

The evaluation of performance of suppliers will be made as per following criteria.

Annexure B

S.#	FACTOR	MEASUREMENT	WEIGHT
1.	On-time Delivery	Points secured = (# of timely deliveries / # of Line items on PO's) X 30	30 points
2.	Quality measured by rejections	Points secured = (# of Line items on RRs / # of line items on PO's) X 30	30 points
3.	User / Technical Input	<ul style="list-style-type: none"> ▪ Service and after sales support ▪ Quality of supplied products 	05 points each (total 10)
4.	Supplier Support	<ul style="list-style-type: none"> ▪ Response to RFQ's ▪ Meeting urgencies ▪ Provides updates on new developments ▪ Business ethics ▪ Product knowledge of sales representatives 	04 points each (total 20)
5.	Quality Certifications	Any recognized quality certification	10 points
TOTAL			100

PO = Purchase Order (incl. SPO and CPO)

RR = Rejection Report

RFQ= Request for Quotation



Suppliers shall be evaluated on following basis:

- Should provide consistent and prompt Maintenance & Support (Capital goods and engineering items)
- Preference to major distributors & dealers who carries spare and parts (Capital goods and engineering items)
- Should possess Market credibility
- Reputation of past transactions
- Turnaround time according to the requirement
- Preference given to credit terms for payment

-Recognition:

On the basis of appraisal, each year top ten suppliers will be awarded the status of “Preferred Suppliers”. Certain measures would be taken to encourage these suppliers including:

- a. Display of list of Preferred Suppliers at the waiting counter of CPD/PD.
- b. Award of Plaque
- c. Invitation to any special property event for recognition.
- d. Circulation of Hashoo Group Publications.

-Code of Conduct and Purchase ethics:

The PD considers its suppliers as its partners. All relationships are to be conducted in a professional manner to gain the maximum benefit for the Group and will be coordinated by the PD based upon the guidelines stated in this Policy.

All sales representatives from the supplier wishing to contact other departments at the property can only do so through the PD. Representatives are not allowed to contact Department Heads, Supervisors directly. However, Service Representatives may contact the relevant technical department, when required to conduct equipment maintenance and repairs.

The visiting privileges of sales representatives can be suspended if there is any violation of this policy.

Any staff of the PD who is involved in conducting any discussion or negotiations with a Supplier representative involving an existing or potential business relationship with the property shall ensure that at all times meeting involving the business of the institution are conducted in a manner and spirit of total professionalism. It is essential that the behaviour of staff representing the



Company always reflects the maximum professional integrity and demonstrates a spirit of credibility. More than one person representing Hashoo Group at any given time should preferably conduct such meetings.

All purchase activities shall be conducted with fairness and equity whether these are activities with external content or are purely internal to the Group.

All behaviours shall be totally defensible and in line with any legal framework Government authorities impose that.

Purchasing Staff shall not accept gifts, entertainment or any favour with the exception of promotional or advertising items with a nominal value, from potential or current suppliers, which should be declared to the next level of management.



SECTION III

BIDDING



-Modes of Purchase:

Purchase shall be undertaken as follows:

- At Property level
- At CPD level

At each level purchase could be undertaken 1. Locally 2. Through imports. Guiding principals would be:

- Quality
- Availability
- Economic order quantity
- Cost affectivity
- Credit terms of payment

At Property level:

1. Purchases of nature very specific to the property with no commonality of the items used in other properties.
2. Items, which have not been contracted by the CPD.
3. Urgent and Emergent purchases.
4. Cash purchases below the value of Rs. 5,000/-
5. Purchase through M.Is

At Corporate level:

1. Major items, which are commonly used in all properties including items with minor modifications between properties but essentially of similar nature.
2. Capital Items viz. Equipment, building and construction material, electronic and IT related equipment, Plant and Machinery, Furniture etc.
3. Major replacement units, parts etc. of value above Rs. 100,000/-.

-Telephone Quotes:

In case of purchase below Rs.10,000/- in value per item, telephonic quote from three appropriate/independent suppliers be obtained and documented on a comparison sheet. The PM would approve the successful supplier on the Comparison sheet.

-Open written Bids:



In case of individual purchase above Rs. 10,000/- in value per item and below Rs. 100,000/-, written quotes from three independent/appropriate pre-qualified suppliers be obtained and summarised on comparison sheet. The PM would approve the successful supplier on the Comparison sheet. If the lowest competitor is not selected approval of concerned departmental head or technical personnel be obtained.

-Sealed Bids:

In case of individual purchase above Rs. 100,000/- in value per item and below **Rs. 2,500,000/-**, sealed bids from at least three independent/appropriate pre-qualified suppliers be obtained. These sealed bids be opened in presence of the bid opening committee only. Bidder's presence is not essential. The bids be signed by the members and the terms summarised on comparison sheet. One of the members of authorization committee would approve the successful supplier on the Comparison sheet.

-Press Advertisement and Sealed Bids:

For purchases above Rs. **2,500,000/-** in value per item/per order, press advertisements in Daily Dawn, News and Daily Jang would be released. All other procedures for sealed bids shall be followed as elaborated in Para 4, above.

-Instruction to bidders/suppliers

In order to provide the necessary information to Bidders for preparing responsive bids in accordance with the requirements, the PD shall provide information regarding the detailed specifications and the quantities of the supplies required. The information relating to the quotation/bid submission, evaluation and award of contract may also be provided to the bidders depending on the nature and size of procurement.



SECTION IV

PURCHASING PROCESS



-Need Assessment:

At the beginning of each year / during the year as the case may be, purchase data is collected by/from the properties which may be based on the previous year's experience, best estimates and future year's competitive demand. The data is then assessed, analysed and evaluated by PD/CPD and summarised for further processing. All market surveys should commence at least two months before the expiry of an annual purchase order.

Similarly, need is created through sudden break down of equipment, stock levels of inventory items running low and quality of equipment deteriorating with use and passage of time.

-Purchase requisitions (PR)

Any procurement activity should commence with a duly approved PR carrying all details of items required, quantities, approximate price indications, budgetary code, priority code etc. duly approved by:

- i. In charge of requisitioning department
- ii. Director Finance
- iii. General Manager

A specimen of **computer generated** PR is attached as Annex III & IV, earlier.

The duly approved hard copy of the PR should be sent to PD/CPD. Any additional requirement can be viewed/printed by user on a need basis only.

In the case of the Perishable supplies, the daily stewarding list or daily market list, daily grocery list shall replace the PR.

The PR should detail:

- A precise description of item requested
- The quantity to be ordered
- The justification of or reason for the request
- Any other specification considered necessary
- Quantities in stock (when applicable)
- Details of last purchase (date, quantity, price, supplier)
- Approximate price of items requested

The requisition may cover several items and may involve purchases from more than one supplier.



AUTO-GENERATED REQUISITIONS:

In the case of inventories, raising POs to nominated suppliers at agreed prices should be an automated computer generated function of the purchasing system. Once minimum and maximum inventory levels have been established, PR will be auto-generated by the purchasing system for food, beverage and general store items etc. For the system to work effectively, the minimum and maximum inventory levels must be established and reviewed on a regular basis. Once these levels should have been established and reviewed by the appropriate Department head. All requisitions automatically generated by the system are deemed as approved, unless otherwise determined by Hotel management according to local needs.

The department head should sign the requisition.

It is advisable for requisitions to be authorised by the Director Finance/General Manager before passing it to PD.

For purchase of **ALL** Capital goods (without any minimum limit) and major value items (exceeding Rs.100,000/- each time), a Capital Expenditure Request (CER) shall also be generated along with PR. The same shall be forwarded to the authorisation committee well before initiation of purchase. Following documents shall be attached with the CER for review:

- 1.1 A comprehensive justification for the purchase.
- 1.2 Feasibility with relevant payback and IRR calculations (if possible)
- 1.3 Three quotes received from pre-qualified suppliers.

-Bid Evaluation:

Based on the bidding procedures, narrated in the section on BIDDING, a technical and financial evaluation of bids be conducted by the requisitioning department, finance department and purchase department and the findings are summarised on the comparison sheet. As a norm 60% weight age is given to technical specifications and 40% to price. Based on a weighted average of both, a potential supplier is proposed for negotiation and procurement.

-Negotiation:

The negotiation committee shall conduct further negotiations on price or any other terms of contract jointly in cases of sealed bids and press advertisements with sealed bids only. Generally, the lowest bidder and two next higher bidders shall be contacted for further negotiations.

-Quality specifications, sample testing and retention:

Procurement shall be in line with the required quality standards as expected by the guests as well as those required under the policies and standards developed and maintained by the Corporate Office.

Quality assurance during procurement is a function of the PD/CPD. The required quality standards should be explicitly specified in the purchase order. It shall be the responsibility of the PM at both Corporate and Property level to ensure ordering of the required quality assurance during the procurement process. Moreover, they shall be aware of the following:

- The categories of goods that require quality sample testing prior to procurement
- Categories of goods for which there are selected and quality-tested through approved suppliers, with whom the term agreements have been entered.
- The minimum required quality standards expected by our guests.

A sample of items procured should essentially be retained at each property as well as at corporate purchase department for ease of comparison and reference upon receipt of actual supply.

The CHP before finalisation of the purchase shall also seek Technical Recommendation in the light of policy and other standards. The Technical Recommendation shall be sought from the relevant user/relevant Corporate Head. The standard format of the Technical Recommendation is attached at the end of the manual.

-Standardisation:

All possible efforts should be made to standardise items of common utilities between properties.

Moreover, it would be essential for the PD/CPD to maintain category wise items dictionary of consumable items repeatedly procured viz. linen, crockery, glassware, silverware, cutlery etc. as well as equipment, plant & machinery, IT equipment etc. A specimen of such a dictionary is attached at the end of the manual.

-Pre-Audit:

The Internal audit department before submission to the CPC should validate all purchases undertaken by the CPD.



The internal audit department shall ensure compliance of policy and procedures and satisfy themselves as to transparency and propriety of the transaction before certifying the same for purchase.

-Purchase Order (PO)

Upon completion of entire cycle a **computer-generated** PO is initiated. Specimen of contents and requirements is attached as Annex VI, at the end of the manual.

The PM shall group the various purchase requests for required items relating to the same supplier to prepare the PO.

Normally, PO of value above Rs. 2,500,000 should be issued for one year. However, depending on situation, PO with value lower should be issued for three months, to enable continuous market survey and cost-effective procurement.

The PO shall have the maximum possible details.

These include:

- Name and Address of the Supplier
- STR/NTN of supplier
- Contact person
- Prices agreed with the supplier
- Quantity and quality required
- Packing, marking and mailing of invoice covenants
- Mode of payments (cash/credit/advance).
- Delivery period
- Trade discount agreed
- Provisions regarding cancellation of order and allied penalties (incl. Short supply)
- Location of delivery
- Any government levies and taxes applicable
- Treatment of rejected items

Two hard copies of the PO shall be generated and duly signed by authorised personnel. The first original is given to supplier and second to payables. Any additional requirement can be viewed/printed by user on a need basis only.

Since all the PO s would be system generating endorsement of PO numbers in serial order would be an auto-generated function.

Following are the kinds of PO that shall be generated.

-Normal PO: represents PO issued in normal circumstances for one time activity only. This represents a substantial portion of purchase activity.



- Standing PO: represents a long term PO that normally spreads over six months to one year specifying rates only for items ordered as and when needed with total estimates given with SPO
- Corporate PO: represents PO/SPO issued by Corporate Office for one activity or for a period of time.

A completed order, together with purchasing copy of the PR and quotations should be sent to the Director Finance and General Manager for signature and authorisation, prior to the order being placed by Purchasing.

At properties using computerised purchasing, receiving and inventory systems, it will only be necessary to produce an original hard copy for the supplier and one copy to be retained by Purchasing. Purchasing, Goods Receiving and Accounts Payable will have access to related actions via the purchasing system.

-Authorization

All procurements involving the commitment of significant resources or involving a chain of transactions cumulatively shall be authorised by the Authorisation Committee or as defined in the authority matrix.

Financial limits for the authorisation of procurement of various management positions shall be decided from time by time and as and when required.

The authorization is vital in the whole process and authorization levels are different at various level of the entire process. PD/CPD shall not enter into any commitment with specific and written approval from the authorisation committee.

-Emergency Purchase:

A PR would be considered as “emergency” if delivery is required within one working day or maximum within two working days, and is approved by the end user/approving authority. The PM shall affix the stamp of EMERGENCY on the purchase request in such cases, which would also specify reason for emergency.

Once declared as an emergency, the procurement procedures shall be different from the normal procedures in the following aspects.

- The PM can process an emergency purchase request without following the formal procedure of obtaining quotations.
- A PO may be prepared in favour of the supplier from whom the item was previously purchased.
- The price can even be agreed with the supplier by fax.

Emergency PO in excess of Rs.25,000 would be verified post facto by the Internal Audit.



-Urgent Purchase:

A PR shall be considered as “urgent” if the delivery is required within seven working days. The approval on the PR (giving reasons for urgency) would be given within two days by the approving authority. The PM shall affix the stamp of URGENT on the PR in such cases.

-Cash Purchase:

For local purchases on an emergency basis, a special cash float shall be maintained with the PM/CHP, who shall authorize such purchase. The CHP and Executive Director shall define the limits of the float and authorization to spend from the float and frequency of replenishment of float during a month.

The PD can purchase low cost items from the market to meet the requirements and can make cash payments directly to the suppliers. Value of such purchase at any time shall not exceed Rs. 5,000/-. Documentation of such purchase should be done through computer-generated **Memorandum cash invoice**.

The Purchase Officer submits a statement of cash purchases to the PM for approval. This statement is sent to Finance Department. The amount spent is then reimbursed by the Finance Department to the PD.

Director Finance and Auditors may perform spot checks at their discretion.

The Purchase Officer after receiving the PR will decide whether the product is to be purchased on cash basis or not.

The Purchase Officer arranges the purchase and obtains a legible receipt.

The Purchase Officer arranges for the delivery of the product to the Receiving area and obtains acknowledgement.

Apart from the float amount if there is a need, the buyer also makes payments to suppliers in cash, which is above their float amount. For this purpose the Purchase Officer fills an advance request form, which is approved by PM. This advance request form is then sent to Finance Department for processing.

-Order Confirmation

After order placement, the PM shall require that the supplier confirm in writing his willingness to perform. The PM shall also forward one copy of the confirmation received from the supplier to the cost control department of concerned property / properties for subsequent monitoring.



-Carrier Availability and Selection

The Purchase officer shall be responsible for identifying the most suitable and cost effective carriers, both local and international where terms of trade are ex-supplier premises/factory. This selection shall be in accordance with the procurement philosophy developed, maintained and updated by the Corporate Office.

-Order expediting

The PD/CPD is also responsible for ensuring that the suppliers deliver the goods according to the schedule stipulated in the PO.

A review of all outstanding orders, including partially filled orders, must be made monthly or more frequently as operational needs demand, to expedite the delivery. For this purpose the receiving department will maintain a permanent file with the POs still outstanding. A report of outstanding Pos would be circulated to DF/Cost Controller for follow-up.

In order to expedite the process of purchase the following timeframe shall be strictly followed for the entire procurement process.

Procurement type	Target delivery local	Input market	Purchase process	Purchase Manager	Authorisation
Normal	30 days	6	6	1	2
Emergency	1 days	0	1/2	1/2	0
Cash	3 days	1	1	0	0
Urgent	7 days	1	2	1	1

-Cancellation of POs

If an outstanding PO must be cancelled, the PD/CPD should notify the supplier concerned and obtain approval from the authorisation committee or DFC/GM at the property, whichever applicable for the cancellation. Cancellation penalties should be avoided and a negative response from the supplier should be drawn to the attention of the Director Finance /ED who will determine the best course of action.

If the supplier requests the property to cancel a PO, a penalty must be sought if possible. Substitute goods must be ordered and the relevant department head concerned must be notified.



Should there be a price increase after a PO has been placed; the PD/CPD should check the price with other suppliers. If a property is able to obtain the goods at the same quantity, quality and delivery schedule at a lower price, the PO should be cancelled and the order placed with another supplier.

Should the property have to accept the price increase, a fresh PO should be issued to supersede the old one. Approval as per the authority matrix or the Executive Purchase committee, whichever applicable must be obtained? When submitting the new PO for approval, a note giving the reason and the old PO should be attached. Necessary caution should be exercised in dealing with such supplier if the price increase was not deemed reasonable by the Property.

-Insurance Arrangements

In case of purchase of items of fixed assets nature, the PM/CHP shall arrange for the insurance of the assets. In this regards, selection of effective and reputed insurance companies shall be required.

The PM/CHP with the collaboration of Director Finance shall ensure that assets have been insured immediately after their purchase.

Similarly in-transit insurance should necessarily be obtained for all imports as well as local consignment where the delivery is on ex-vendor site terms.

Security Deposit:

In certain high-risk cases, property or CPD can decide to require maintenance of security deposit by the supplier to ensure timely availability of quality supplies. Such requirement should be clearly stipulated at the time of requesting for bids, negotiation and issuance of PO. Explicit indication of such deposit be also documented on the PO. Security deposit can take the form of cash deposit, insurance or bank guarantee or performance bond as deemed necessary.

-Post Purchase

Monitoring:

Subsequent to placement of the order, the PM/CHP shall be responsible for monitoring and coordinating all pending orders up to their delivery and shall also keep an effective follow up. This includes a continuous co-ordination with:

- Stores for the delivery status
- Suppliers for dispatch status



Receipt & distribution of Goods / Supplies :

As the supplies arrive at the property or as the case may be, the Cost Controller shall verify it according to the purchase order. The verification shall include the following:

- That the goods match with the description on the purchase order.
- That the quantity ordered and received both are same.
- That the quality is same as committed by the supplier. This would be the responsibility primarily of the user department along with cost control department.
- Other factors like expiry of the product, presentation, brand, packing etc.
- Product corresponds to the sample provided and approved.
- Supplies are received within delivery time mentioned in the PO. Supplies made after the expiry of the delivery time as per PO must be approved by DF/GM.

After verification and further approval / satisfaction by the concerned department head, the Cost Control Officer shall affix a receiving stamp on the invoice, prepare relevant receiving report and send this to the finance department.

The goods/supplies received shall be dispersed to the requesting departments according to the initial procurement request / instructions.

Payment:

The Finance department shall receive the invoice from the vendor after the clearance from the cost control department. The Finance Department after satisfaction shall make the payment. In any case, the payment to the supplier shall be made as per the payment terms agreed with the supplier. No payment cheque shall be kept with the Accounts Department for more than one week after signature. Similarly, tax deduction challan should also be despatched to suppliers within one week of receipt.

Supplier Evaluation:

All suppliers shall be continuously evaluated on the basis of quality and delivery performance. When a discrepancy report is identified, the receiving person shall initiate a product nonconformity report. The report shall be established and processed in accordance with the Vendor Non-conformance Report. The supplier shall always be contacted and informed of the identified nonconformity and, if these are serious or recurring. They are requested to propose and implement a corrective action and report back on its effectiveness. Suppliers, who repeatedly fail to deliver satisfactory products, and/or do not deliver on time despite earlier



complaints and requests for corrective actions, shall be removed from the approved supplier list.

Short supply of goods:

In case of supplier short supplying goods ordered or is not able to supply at all on a particular day or regularly, relevant clauses of purchase order be immediately referred as to risk purchase of such supplies and charging the difference in price to the existing supplier. Minimum quantity, based on current need only shall be risk purchased and duly approved. A record of such short supplies should be maintained for the purpose of annual evaluation of the supplier.

Rejection by store:

In the case of rejection of the goods, the PM/CPM shall receive the stores rejection report from the property duly signed by the Finance Controller and General Manager. The rejection report shall specify the following:

- The reasons for rejection giving full details for rejection
- Particulars of damage /shortfall
- Name of carrier, if delivery was ex-factory
- Name of supplier
- Invoice number
- Date of inspection
- PO reference

If the reason for rejection of goods lies with the supplier, the PM/CPM shall advise the supplier of the need for replacement.

If the rejection involves a claim on the supplier that requires the issue of a debit note, the PM/CHP shall notify the same to the Supplier.

Tracking:

Through computerised mechanism a requisitioning department should always be able to track status of their PRs initiated, to enable them update themselves and plan usage of items requisitioned.



SECTION V

**STANDARD DOCUMENTS AND OUTPUT
REPORTS**



Standard purchase documents:

- Purchase Order (auto-generated) (Annex.VI)
- Cash/Credit Memorandum Invoices (auto-generated) (Annex.VII)
- Receiving Report (Annex.VIII)



CAPITAL EXPENDITURE REQUEST

Annex: I

Group Company:

Reference No: _____

Date: _____

Property: _____



S. No	Description	Qty. Reqd.	Unit Price (Rs.)	Total Amount (Rs.)
	Total amount of all items			
	GST			

Grand Total Rs.(Including GST)_____

Whether budgeted? If not, give reason(s).

Purpose of purchase:
(tick item applicable)

1. Additional Income Generation 2. Reduction in Operating Cost
3. Safety or Regulatory Requirement 4. Balancing, Modernization and Replacement etc.

CHECKLIST: (documents to be attached)

- Comprehensive Justification.
 Three Quotations.
 Comparative Statement of Quotations.
 Reasons for Deviation from Lowest Bidder.
 Calculation of Cost versus Benefits.

All papers in the attachment should be signed, identified with name and designation of signatory and date. Changes, if any, should also be initialled, identifying the person.

D.F

G.M

CDF

CDO

ED

Sr.Ex.Advisor
(For Approval)



AMENDMENT



1. Enlistment of Suppliers on Tejari and Pre Qualification of Suppliers.

It is been noticed that the hotels have no set procedure for verification of suppliers, since the hotels are directly dealing with these vendors then it is their prime duty to keep the record of suppliers updated and any discrepancy or malpractice at suppliers' end should be notified to management of hotel and Tejari immediately for necessary action as already being practiced. It is also the basic responsibility of the buyer organization to check credentials of the suppliers before placement of any Purchase Order. Regretfully this has not been witnessed from the Hotels and is not being followed which has resulted in supplies from vendors addresses of which are dubious. The Hotel purchasing policy covers this aspect in clear terms but the same is not being followed at Hotels' level. It is worth mentioning that most of the vendors on Tejari have been listed on Hotels' references therefore immediate remedy lies with the Hotels and they are being directed to verify Suppliers credential as per set criteria before issue of Purchase Orders. **Manager Material shall personally meet with the every supplier supplying goods or services worth over Rs.50,000/- at a time or in aggregate of over Rs.100,000/- Director Finance shall personally interact with suppliers supplying goods or services over Rs.250,000/ at a time or in aggregate over Rs. 500,000/- per annum. This verification shall become part of Purchase documentation and the outcome with regards to the database of suppliers should also be shared with Tejari to take corrective measures accordingly.**

While Hotels are being advised to immediately act in this direction we have strongly urged Tejari to get the credentials checked by them before enlisting and all of the vendors already enlisted with them. This will bring transparency and independent checks.

2. Inclusion of Samples and Attributes:

It has been observed that in many cases proper attributes and samples are not included in the auction though this feature is available in the tender option. Even pictures of the item can be added and product links can be given. Without proper description neither the vendor nor the receiving staff at the Hotel is aware what product is to be supplied or received. This gives open field for manipulation. **In order to plug this gap the Hotels are being advised to provide complete description (brand name, origin, capacity, colour, size, grammage etc.) of items on Purchase Requisition (PR) and attach pictures and catalogue of**



products with the PR. Based on approval of PR, these details shall be included while floating bids on Tejari and at the time of issuance of Purchase Order same specification shall be provided to the Vendor and the Goods Receiving Staff.

3. Market Survey:

It was observed in some cases that market survey is not done and Purchase Department has issued Purchase Orders based on bids received on Tejari. It is the basic responsibility of the Purchase Manager and his team to have survey of local and international market. He should be checking rates on internet and also cross check from Group Properties. **In order to address this issue Hotels are being advised to include Market Survey Report in the Purchase documentation. The rates obtained through survey should be periodically checked to see price trend in the market and as and when required the Purchase Orders should be called off and renegotiated. The outcome of each market survey should also be shared with Tejari so that necessary value additions in terms of prospects of getting new supplier can be capitalized to benefit the business processes of all group hotels.**

4. Pre-qualification of Vendors/Contractors

There is no pre-qualification criteria set for the vendors to bid for an item on Tejari, It has been time and again pointed out that only those vendors who are qualified to supply certain item should be allowed to bid. In some cases we have observed Vegetable supplier bidding for equipment etc. This practice should stop immediately. There is a mechanism available in Tejari where the buyers may ask for pre-qualification before entering into negotiations and even during the bidding process the same may also be put as attributes of vendor qualification which would automatically scrutinize the participants in bidding process. However the process is not followed by our hotels in true spirit which causes hindrance in operations when the non-qualified bidders are allowed to bid for contracts without thorough investigation of company's workmanship and expertise to execute the contract. **Hotel must seek request for qualification from suppliers of major group of items like Dry Groceries, Fresh Vegetables and Fruits, Seafood, Meat, Poultry, Hotel Equipment, Stationery, Linen Etc. General Order Suppliers should be registered for General Stores items only. Hotels are being advised to conduct exercise to pre-qualify its existing vendors and contractors in accordance with criteria for approval set in the Hashoo Group's procurement policy. For future enlistment Hotels should follow same practice and subsequently referred to Tejari Team for registration, enabling the supplier to gain access to tendering process of hotels for their requirement of product or service.**

5. Off Tejari Purchases:

Hotels have shown concern over their limitation to procure only through Tejari, however this is not the actual scenario. In some cases Hotels had not considered genuine product at lower prices just to follow bidders on Tejari, which has been found to be otherwise and hotels have had a free will to procure offline. They are under the impression that they have to buy through Tejari. Whenever they buy through offline suppliers they are being asked to explain their position. This perception and practice should be removed. When we make our Purchase, Finance, General Manager Accountable than this discretion should lie with them. However for proper controls this process needs to be electronically registered on Tejari for an audit footprint which will be facilitated by Tejari. If right product at lower price is available in the Market the Hotels' Purchase Department should not have any fear in recommending that purchase and the Director Finance and General Manager should encourage such practice but at the same time verify the process and absolutely ensure that they regulate that transaction on Tejari. The new sources from the market should be advised to register themselves with Tejari to access the business opportunities with Hashoo Group Hotels to ensure efficient procurement of required products or services. The offline potential suppliers should be sent with the introduction letter of Tejari and should be informed to register themselves onto the platform to become part of purchasing process and ensure their online participation for all sourcing activities. In order to make the procurement procedure more transparent & competitive. Hotel is being advised to:

Wherever goods or services are available at competitive rate in the market the Hotels should try and secure offline. However the identification of such offline suppliers should be shared with Tejari Team as and when identified during the minimum auction time of 24 hours mentioned in the Do's & Dont's so that the same offline supplier can be evaluated in order to determine the overall scope of business and establish whether to register the new source as a permanent paid member or a temporary free pass holder to ensure supplier participation online for an increased hyper competition between existing suppliers which surely results in cost savings as experienced in the past by Hashoo Group of Hotels.

6. Contracts for Civil/Furnishing and MEP Works.

It has been observed that complete description as to quality, quantity and other specification are not clearly mentioned in the bidding document leading to confusion and genuine contractors end up quoting higher rates or stay away. This leads to favoritism and corruption as it is quite often

alleged that our staff pass on information to favorite contractors and hold details from others. **Hotels are being advised to hold pre bid meeting with the contractors for any one job exceeding Rs. 50,000/- whether one order or in aggregate and utilize Tejari's document uploading facility where entire BOQ's can be uploaded for contractor's review.**

7. Procurement Policy:

It is worth mentioning that the Policy for Procurements by Hashoo Group Hotels attached herewith which was introduced in 2005 covers all the above points in detail. **We attaching herewith Hashoo Group Procurement Policy for strict compliance with addition that Hotels shall be using Tejari Portal to create open competition and bring in transparency of bidding process. The internal controls should be gauged on this basis and Internal Audit should cross check procurement in compliance with this policy.**

8. Effective Use of Feature on Tejari.

During the discussion it transpired that number of features on Tejari for better procurement are not being used effectively by the Hotels. **It is strongly recommended that proper trainings should be conducted for procurement staff and all director finances on Tejari complete features. Also there is strong need to review competence of staff working in the Purchasing Department. Hotels should ensure that educated procurement resources to be hired in the purchase departments in order to enforce strict compliance on the following functionalities on Tejari:**

- **The purchase department should utilize header attributes more extensively to get general detail regarding the GST or NTN Registration Numbers, Engineering Council Membership Number, Appropriate Workmanship and Expertise of suppliers needed for the required product or service.**
- **The feature of attachment should be utilized to give maximum knowledge in the shape of brochures or literatures of required products which can be attached with the Auction for all the suppliers rather than just facilitating some of the suppliers with samples of required products.**
- **The feature of list, target & start price should be utilized in the first round based on the proper market survey to minimize the sourcing time and to get tremendous cost savings by limiting the suppliers to**



compete with each other within the justified profit margins. It will help the Purchase Department to award the PO within the first or second round of the Auction / RFQ.

- **The creation of Lots and Groups can be helpful to regularize the projects related procurement spend and BOQs of the project can be categorized as lot or group line item to get appropriate responses. The incomplete Purchase Requisitions (PRs) should be sent back to the end user to get proper specifications for the required products rather than uploading the same onto Tejari which results into total confusion and potential suppliers end up quoting higher rates or they refuse to submit the bid against the created Auction.**
- **The auto extend option should be used aggressively as it triggers the hyper competition amongst the suppliers and the Purchase Team can get considerable cost savings by utilizing this feature more efficiently.**
- **The feature of inviting un - registered suppliers should be utilized more frequently as this feature enable suppliers to evaluate the general information about the Auction and subsequently the suppliers can be contacted physically by Hotel Purchase and Tejari Teams for pre - qualification and registration onto Tejari eMarketplace. The information of potential sources gathered while the execution of market surveys can be used to educate these offline potential suppliers by sending free invitation emails after inviting them as an un - registered supplier for the created Auction.**
- **The periodic list forwarded of on-boarded supplier needs to be reviewed with regards to their categories as the same supplier needs to be re-evaluated against their bids on the procurement needs of the hotel and all categories should be coded as per the international category codes available on Tejari Transact.**