

TRADING OPERATIONS
(POLICY & PROCEDURES)

(effective from 1/7/2000)

TRADING OPERATIONS (POLICY & PROCEDURES)

1. OBJECTIVE

- 1.1 To enhance the company's turnover and profitability by increasing its present trading activities and also to explore new avenues of trading.
- 1.2 To enable widening of the company's product range without capital investment.
- 1.3 To maintain a continuous feed of products to company's distribution and dealer network.
- 1.4 To have a marketing base for items that may be taken up for manufacture in future.

2 MARKET DEMAND PROJECTIONS & PRODUCT IDENTIFICATION

- 2.1 The factors to be considered while selecting products for trading are:
 - 2.1.1 Choice of products that would complement company's existing range.
 - 2.1.2 Choice of products for institutional sales where company's strength lies.
 - 2.1.3 Choice of products for catering to niche markets.
- 2.2 The branches shall study the market potential for the various products under consideration and make detailed market projection.
 - 1.2.1. The present competitor's names, their current market price, the current market share of each competitor and the expected market share for Keltron shall be indicated by the marketing group while making the projection.
 - 1.2.2. The long term annual projections for three years of the product shall be made in terms of value.
 - 1.2.3. Based on the scope of the product in the market, the product shall be clearly identified for marketing. The product in charge shall indicate the detailed functional specification and broad technical specification of the identified product indicating the market forecast **(in form A)** and forward to corporate marketing.

3 PURCHASE COMMITTEE

- 3.1 A central Purchase committee shall be formed for finalisation of all tenders. Heads of Trading, Product group, Purchase and Finance at Corporate marketing will be the members of the committee and **Trading Head** will be the **Chairman** of the committee. The Purchase committee shall consider the production facilities of Keltron manufacturing units and their capability to meet the market demand and decide the need for registering additional vendors for the particular product.
- 3.2 The purchase committee shall evaluate all the vendors based on the information from the registration forms already collected and register the eligible vendors as provisionally registered vendors. **(Refer Form C1)** . As far as possible direct manufactures or their direct marketing agencies shall be considered for registration.
- 3.3 A Branch Purchase Committee shall be formed with the branch manager as **Chairman** and finance in charge, purchase in charge and product in charge as the members of the committee.

4 PURCHASE POWERS

- 4.1 All new product proposals and entirely new sources for permanent trading shall be approved by the Managing Director.
- 4.2 The Branch purchase committee shall have the powers up to Rs. 2 lakhs and Branch Manager as **Chairman** of the committee shall approve the same. The Central purchase committee shall have the powers up to Rs. 10 lakhs and Trading Head as **Chairman** shall approve the same. **Corporate Marketing Head** (not below the rank of Executive Director) shall have powers to effect purchases up to a value of Rs. 25 lakhs and **Managing Director's** approval shall be required for purchases beyond Rs. 25 lakhs.

5 VENDOR REGISTRATION

- 5.1 All efforts shall be made by the trading group and branches to register vendors for the identified products based on the market information and trade journals.
- 5.2 The branches while making the selection of the product shall suggest the available vendors in the area and forward the vendor registration form duly filled in **(Form B)** by the respective vendors to the corporate office.
- 5.3 The trading department at the corporate office shall also make efforts to obtain vendor registration form duly filled in by the vendors.
- 5.4 The purchase committee shall put up the proposal for registration of the vendor as below:
- 5.4.1 The proposal shall be put up for temporary registration in Form C1 and on approval by the head of the business centre, the vendor shall be temporarily registered for release of initial orders for further evaluation of the reliability of the vendor.
- 5.4.2 The proposal for permanent vendor registration shall be put up in form C3 to the management. On approval by the Managing Director, the vendor shall be treated as a permanent registered vendor.
- 5.4.3 On registration of vendor, a **MOU** shall be signed with the vendor covering all the terms & conditions in the **RATE CONTRACT/PURCHASE ORDER**.

6 INVITATION OF QUOTATION

- 6.1 Tender enquiries in the prescribed form **(Form D)** shall be issued to all the provisionally registered vendors (for the products) indicating the annual requirements based on the information provided by the branches as per clause 2. Tender enquiries may also be issued to known vendors based on the latest market information, but vendor registration forms shall also be obtained from them.
- 6.2 The vendors shall be allowed a reasonable time for submitting their quotation indicating all the terms and conditions in form D.

7 TENDER EVALUATION

- 7.1 The quotations received shall be scrutinised and comparison chart prepared. The Purchasing committee shall evaluate this and short list few vendors for further evaluation.

8 VENDOR EVALUATION

- 1.1 Samples shall be obtained from the short listed vendors free of cost. In exceptional cases, the samples can be procured on payment basis after specific

approval by the Corporate Marketing Head. The reasons for purchasing the sample shall be recorded in writing by the committee. The sample supply shall preferably be accompanied by an evaluation report from a competent authority.

1.2 The sample supplied by the vendor shall be evaluated by the concerned branch **QA** group. They shall make a Product evaluation report as per the guidelines given by **CQAD** and in consultation with them including the serviceability of the product. A product evaluation report as per **(form E)** shall be prepared. A recommended spare parts list shall accompany the evaluation report.

1.3 The vendor shall also be asked to submit their recommended spare parts list.

1.4 The Purchase committee /Quality cell members or their representatives shall visit the vendors for verifying the facilities indicated in the vendor registration form. Vendor evaluation report indicating the suitability of the vendor for including in the permanent vendors list shall be submitted by this group as per **form C2** and vendor registration number allotted.

9 NEGOTIATION & VENDOR SELECTION

9.1 Price, product quality, Reliability of the product, vendor capability, standing of the vendor in the market, adherence of the vendor to delivery schedules together will form the criteria for selection of the vendor for supply of the product.

9.2 Negotiation shall be held with the vendors, based on the earlier reports, for the following points by the committee or their nominated members.

9.2.1 The price shall be negotiated to the lowest possible level. As far as possible FOR destination price to be agreed upon. FOR despatching station term can also be agreed if the supplier insists for the same provided it is advantageous to Keltron. Prevailing rate of Duty/Taxes etc. shall also be clearly indicated.

9.2.2 Guarantee/Warranty for the product shall be obtained at least for a period of 12 months from the date of despatch so that Keltron can offer 1 year guarantee to its customers.

9.2.3 Suitable agreement shall be entered into with the vendor for servicing the product after the expiry of guarantee period wherever applicable as well as for regular supply of spares during and after the guarantee period.

9.2.4 A list of spares required for servicing the product, price list of spares, necessary circuit diagrams, service/ instruction manual shall be obtained/arranged during the negotiation.

9.2.5 The payment terms shall be clearly agreed upon. 30 days or more direct credit shall be the general payment terms for all contracts. Other payment terms based on the anticipated collection period from our customers can also be agreed upon so that Keltron's commitment shall be minimum. For imports and in exceptional cases payment terms like Letter of Credit, Sight draft, Advance TT etc. can be agreed upon depending upon the value and the market practice followed.

9.2.6 Wherever the vendors of repute are insisting for guarantee for payments, suitable instruments can be agreed upon. In such cases the reasons for such action shall be recorded in writing.

9.2.7 The mode of despatch, insurance, inspection method, packing details, price escalation clause etc. shall also be determined during negotiation.

9.2.8 Minutes of negotiation meetings specifying all the terms and conditions as per Rate Contract/Purchase Order(**Form 1**) shall be made and signed by the representatives of the vendor. All the members of the committee shall also sign below the signature of the Vendor.

10 RELEASE OF INDENTS

10.1 The marketing group at Branches shall issue an indent for trial order (**form F**) indicating the proposed selling price structure and projecting the minimum realisation for Keltron.

10.2 The branch shall prepare test marketing / feed-back report (**form H**) and indicate the suitability of the product for including in the regular product range.

10.3 The product in charge in the branch shall prepare the approximate monthly and annual requirements and issue the indents (in **form F**) to the corporate marketing.

11 MANAGEMENT SANCTION

11.1 The purchase order proposal for test marketing shall be submitted through the head of CMD to the Managing director as per the format (**Form G**) for management sanction with all the relevant papers. Once the sanction is obtained the order (**form 1**) can be released by the corporate marketing head (Trading).

11.2 The vendors who have been approved for test marketing are considered as registered vendors for test marketing and on successful completion of Test marketing they will be treated as permanent vendors and rate contract released after obtaining sanction from Managing Director as per **Form G**.

12 RELEASE OF RATE CONTRACT.

12.1 The indents are consolidated and submitted to the Purchasing committee for release of rate contract (**PO with standard terms and conditions**) indicating the limits of total value and date. The head of corporate marketing (Trading) shall sign and release the rate contract.

12.2 In cases where rates cannot be finalised on flat rate basis due to the nature of the products, the rate contract shall be issued indicating the overall value limit and validity of time period.

12.3 The vendors who have been approved for rate contracts are considered as permanent registered vendors for marketing their products by Keltron.

12.4 The existing vendors are treated as permanent registered vendors till the validity of rate contract and fresh rate contract shall be issued after the details are filled in as per **Form B**

13 RELEASE OF DELIVERY ORDERS

13.1 Individual branches can issue their delivery order as per **form J** directly to the vendors with a copy to corporate marketing for the items required by them based on the rate contract indicating the model number, description, quantity, delivery schedule etc.

13.2 In cases where the rate contract is released without the individual rate, the rates shall be collected from the vendor before submitting the quotation to Keltron's customer and negotiation held after Keltron receives the order from its customer by the Branch Purchase Committee.

- 13.3 When the value of the order is less than Rs. 2 Lakh, the branch can release the Delivery Order with rate and forward the copies of minutes of meeting held by the committee and proposal for ratification by corporate marketing as per **form K**. If the value exceeds Rs. 2 Lakh, the Delivery Order with rate shall be released only after approval from Central Purchase Committee at corporate marketing.
- 13.4 The Delivery Order shall clearly indicate the ref. Number of rate contract issued from corp. marketing and that all the terms and condition shall be as per rate contract.
- 13.5 The branch manager shall sign the delivery Orders. It is to be ensured that the Delivery Orders are released within the value and quantity indicated in their indent already given. If the requirements exceed the original indented quantity/value, fresh indent shall be forwarded to corp. Marketing.

14 DISTRIBUTORSHIP

- 14.1 Keltron can also enter into an agreement with reputed organisations for marketing their product under their brand name through the network of Keltron branches. This arrangement is to be entered generally for foreign brands either directly with the principals or their sole selling agents/distributors in India.

15 STORES ACCEPTANCE

- 15.1 The concerned branches shall make the goods receipt inspection report (**GRIR**) for the quantities received based on the Delivery Order released by the branches. Stores is to ensure that the GRIR is prepared in time based on the delivery Order quantity. Whenever there is rejection, the same shall be intimated to the supplier and got rectified immediately. The excess/rejection not rectified shall be sent back to suppliers at their expense.

16 PAYMENT

- 16.1 Payment shall be released as per the terms mentioned in the rate contract released by the corp. Marketing.

17 GENERAL & OCCASIONAL PURCHASES

- 17.1 General purchases, occasional purchases for supplying miscellaneous items to be supplied along with our regular products etc. are to be made as per the **Keltron purchase procedure dt. 6.2.87** circulated already. In all such cases the quotations shall be collected against the enquiry **form D**

18 SALES GUIDELINES

- 18.1 The selling price shall generally be fixed based on the market forces. Even though the lowest price induces customers and highest price increases the profit both may not be the right price since low price may indicate inferior quality of product especially for consumer durables and highest price may discard our product especially in the case of public tenders. The selling price is therefore to be fixed in such a way that it will bring long term benefits to the organisation. As a general guideline the minimum realisation shall be 10-15% (according to the nature of goods) over the landed cost of the product. But the aim shall be to obtain the maximum price that can be absorbed in the market and the 10-15% margin is mainly to take care of our overheads and other fixed expenses. The detailed pricing of each product shall be worked out by each branch and forwarded to corporate office for approval/ratification. (refer part II of Form F)

- 18.2 Payment terms are one of the major areas to be scrutinised regularly since whatever contribution the company makes shall be eaten away by the interest burden if the payments are delayed. Generally the payments shall be collected against delivery. For Non Government Organisation credit upto 30 days can be considered only by collecting post dated cheques for the credit period offered. Special care should be taken to realise these post dated cheques on due dates. Even for the government organisation the money should be realised within a reasonable period of 30 days. When the situation demands advance payments are to be collected to safeguard company's interest. In the event of bouncing of any cheques on presentation, no further supplies shall be made on credit to the defaulted client until the dues are settled and specific approval obtained from the Branch Manager. Appropriate legal action shall also be initiated in cases of bouncing of cheques.
- 18.3 Incentives and other discounts can be offered to our dealers / agents and onus shall be for the payment realisation. The required coverage to take care of these incentives shall be provided in the standard price list. Any additional incentive other than the normal discount to dealers shall be given only after the prior approval of the Corporate Office.
- 18.4 Sales promotion is one of the major area for success of business. Suitable sales promotion schemes can be worked out by the branches and got approved from corporate office before implementation.
- 18.5 After sales service is the tread between the customer and the seller. Therefore adequate spares are to be stocked wherever necessary and service calls attended properly to win the confidence of the customers.

19 MANAGEMENT REPORTING

- 19.1 Branches shall send monthly reports, apart from the reports already being sent, for the details of items purchased, payments made, collection status, debtors status etc. as per the format (L) on 3rd of every month.
- 19.2 The field feed back report on monthly basis on each product /model shall be sent in format H on 5th of every month.

20 EFFECTIVE DATE

- 20.1 This Trading Policy takes effect from 1st July 2000 and supersedes all the procedures on Trading hitherto issued.

SALES FORECAST

BRANCH:
DATE:

PRODUCT NAME	
BASIC SPECIFICATION	
ANNUAL DEMAND	

MARKET COMPETITION

NAME OF COMPANY	BRAND NAME	MARKET SHARE %	MARKET PRICE

EXPECTED MARKET SHARE FOR KELTRON

PRODUCT	QUANTITY	VALUE	% OF MARKET SHARE

PROJECTIONS FOR 3 YEARS

DESCRIPTION	1 ST YEAR	2 ND YEAR	3 RD YEAR
QUANTITY			

VALUE			
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REMARKS ON TAKING THE PRODUCT FOR TRADING

PRODUCT INCHARGE

(Name &: Signature)

BRANCH MANAGER

KELTRON**KERALA STATE ELECTRONICS DEVELOPMENT CORPORATION LTD.**

KELTRON HOUSE, VELLAYAMBALAM, THIRUVANANTHAPURAM 695033.

VENDOR REGISTRATION FORM

DATE:

1	NAME OF THE ORGANISATION		
2	REGD. OFFICE ADDRESS	TELEX	
		FAX	
		PHONE	
3	FACTORY ADDRESS	TELEX	
		FAX	
		PHONE	
4	SALES OFFICE ADDRESS	TELEX	
		FAX	
		PHONE	
5	CONTACT PERSONS		
	NAME		
	DESIGNATION		
	PHONE		
6	NATURE OF BUSINESS (<input type="checkbox"/> mark)	? MANUFACTURER	? MARKETING AGENCY
		? IMPORTER	? AUTHORISED DEALER
		? REGD DEALER	? OTHERS
		.	
7	TYPE OF INDUSTRY (<input type="checkbox"/> mark)	? LARGE SCALE	? MEDIUM SCALE
		? SMALL SCALE	? OTHERS
8	CONSTITUTION OF THE FIRM (<input type="checkbox"/> mark)	? PUBLIC SECTOR	? PUBLIC LTD
		? PRIVATE LTD	? PARTNERSHIP
		? PROPRIETARY FIRM	? OTHERS
		(please attach the memorandum of association / partnership deed etc.) memo	

9	NAME & ADDRESS OF DIRECTORS/PARTNERS/PROPPREITOR (Please Attach Separate sheet if Required)			
10	INDUSTRIAL LICENCE NO. & DATE OF ESTABLISHMENT			
11	CST & STATE SALES TAX REGN CERTIFICATE & DATE (photocopy to be enclosed)			
12	BANKERS NAME & ADDRESS			
13	BALACE SHEET AND PROFITABILITY STATEMENT FOR LAST 3 YEARS (Annual report/ certified statement to be enclosed separately)			
14	INCOME TAX LIABILITY (IT clearance certificate to be enclosed)			
15	LAND & BUILDING	OWNED	LEASED	
	LAND (Area in sq. mtr)			
	BUILDING (Area in sq. mtr)			
16	ORGANISATION STRUCTURE (Enclose organisation chart)			
17	MAN POWER DETAILS	ENGINEERS	TECH/OPERATORS	OTHERS
	SALES			
	PRODUCTION			
	R&D			
	QUALITY			
	OTHERS			
	TOTAL			
18	MANUFACTURING FACILITIES	CAPITAL EQUIPMENT		TEST EQUIPMENT
	1			
	2			
	3			
	4			
	5			
	6			

19	QA/QC PROCEDURE FOLLOWED (attach separate sheet if required)				
20	PRODUCTS MANUFACTURED/SOLD DURING LAST YEAR	QUANTITY	VALUE	DATE OF COMMERCIAL PRODUCTION	LICENCED CAPACITY
21	PRODUCTS FOR WHICH REGISTRATION SOUGHT FOR	TECHNICAL SPEC/COLLABORATORS NAME		TEST RESULT (Please attach the technical literature/test report)	
22	MAJOR CUSTOMERS LIST				
	NAME OF CUSTOMER	DESCRIPTION OF ITEM	QTY	VALUE	

PLACE NAME OF ORGN.

DATE SIGNATURE

NAME

OFFICE SEAL DESIGNATION

Form C1

VENDOR EVALUATION

(PRELIMINARY REPORT)

DATE:

1	NAME OF VENDOR & PLACE OF FACTORY		
2	Particulars	Details Provided	Remarks
	Type of Firm		
	Established on		
	Sales Tax		
	Bankers		
	Balance sheet		
	Income tax		
	Office set up		
	Manpower strength		
	Technical strength		
	Previous business Strength		
	Others		
3	Recommendation of Vendor based on the information in vendor Reg. form		
4	<p>Purchase Technical/Sales Finance APPROVED BY</p>		

Form C2

VENDOR EVALUATION

AFTER FACTORY VISIT

DATE:

1	INFRASTRUCTURAL FACILITY	
2	MANPOWER ADEQUACY	
3	RELIABILITY	
4	SIGNATURE Name & Designation	
5	RECOMMENDATION OF THE QA	
6	SIGNATURE Name & Designation	

Form –C3

VENDOR REGISTRATION PROPOSAL

No.

Date:

1	NAME OF VENDOR & PLACE OF FACTORY (Enclose Vendor Registration form)	
2	Whether relevant Information is provided in the application (Enclose Part A of Vendor evaluation form)	
3	Whether the infrastructure Facility is adequate (Enclose Part B of Vendor Evaluation form)	
4	Financial Stability	
5	Products Recommended	
6	Product Reliability (Enclose product evaluation report)	
7	Report on Field feed back	
8	Acceptance of Terms and Conditions (Enclose Minutes of meeting)	
9	Payment terms	
10	Recommendation of the committee	
Purchase in-charge Product in – charge Finance in- charge Chairman		
Submitted to the management for approval		
1	Head of Marketing	
2	Head of Finance	
3	Managing Director	