

Code of Procurement Practices approved by the Board of Directors of STC (April 2023)

STC as a trading organization involved in importing, buying, selling of various categories of products to government sector organization and to private sector customer on request.

As a State Owned Enterprise operated under public enterprise department irrespective of the nature of the entity it is necessary to follow the guidelines and procedure introduced by the controlling /monitoring entity.

STC has two categories of procurement

- 1) Procurements for internal usage or consumption - products, services
Procurement for internal purpose, to be processed through procurement guidelines.
- 2) Procurement for Resale to End customer for Business purpose (Re sale –Trading stock)
When procuring for Business (For trading stocks) there are so many deciding factors affected the decision and continuity of business
 1. Imports for bulk stock requirements
 2. Suppliers on agreement and distributor contracts
 3. Ad-hoc purchasing for specific customer requirement for which there are no agreement suppliers.

We basically have 5 types of Purchasing for the Buying & Selling Mechanism.

- 1) National Level Manufacturer & Distributor Sales
- 2) Shopping Method if the product is not available with the Distributor
- 3) After Sales Repairs and Services for Customers provided through Registered Agents
- 4) Direct Imports either from Tender or Registered Chemical Suppliers
- 5) Duty Free Liquor Purchases from Distributors and Registered Suppliers through shopping method.

Above Methods can be described as follows

1) National Level Manufacturer & Distributor Sales

After our public notice, most of the brand owners and Distributors for Leading Product Brands , registered with us and appointed STC as an authorized dealer of the Product Brand who can provide channel products to end customers. We have signed an agreement with the above distributors to ensure the transparency of transactions. Suppliers are issuing Control Price List with STC Discount.

2) Shopping Method (if the product is not available with the National Level Manufacturer & Distributor)

If the targeted products are not available with the National Level Manufacturer & Distributor, We are calling quotations from all registered suppliers of the desired business unit and get the prices within 48 hours.

3) After Sales Repairs and Services for Customers provided through Registered Agents

There are registered service providers for each required business model and we are calling quotations from all registered suppliers and selecting the lowest qualified service provider.

4) Direct Imports either from Tender or Registered Chemical Suppliers

Direct Imports are usually based on tender

Chemical Purchases to be done, calling quotations from all registered international suppliers and selecting the best suitable qualified supplier.

5) Duty Free Liquor Purchases from Distributors and Registered Suppliers through shopping Method

Duty free purchases are done through shopping method by calling quotations from all registered suppliers and distributors

BY considering the above we suggest to take Purchasing approval as follows

Purchasing Approval for Confirmed Customer Purchase orders

Relevant Trading Dept: Showroom should receive inquiry/Confirmed Purchase Order from the customer and need to check the true requirement, item availability in the market and ability of settling the same with in the agreed credit period

Purchasing Approval for the Trading (Stock and Selling)

- Propose the requirement, such relevant item and quantity by the relevant Trading/Showroom manager based on the market requirement

- The requirement to be justified with following
 1. Current stock availability at all locations
 2. Monthly movement of previous six months
 3. Period taken to dispose the stock
 4. Price behavior of the market
 5. Any special order to receive

Procurement Procedure & Process

- 1) Purchasing from Authorized agents, distributors on agreements, the tender board for price approval to be taken
revise periodically in such based on the tender board of price list
Purchase orders can be revised after considering the above requirement either for trading stocks on for confirmed purchase orders.

- 2) Purchases under Shopping Method by Calling quotations from all registered suppliers
 - i. Over Rs.3 Mn OTP system to be followed with two time slots to open the quotations (11.00 a.m. & 2.00p.m.)
 - ii. The committee consisting representatives from stock control, marketing, procurement to be appointed for quotation opening
 - Evaluation of submitted quotations for Technical and pricing
 - Select the most suitable supplier based on above criteria
 - Prepare and submit for TBP approval
 - Proceed with ordering with selected supplier
 - Monitoring of receiving goods and quantity as per requested items.

Procurement Responsibilities & Authority Limits

- All purchasing transactions should adhere above and purchases of below 2Mn values, Trading/Showroom Manager should take the responsibility and approval to be taken with the consent from DGM /AGM Marketing.
- Above 2Mn rupees and up to 3Mn rupees approval to be taken from GM, which is justify by DGM (Mkt) or AGM (Mkt)with relevant trading managers
- If the value exceeds 3million rupees, approval to be taken from the Chairman, which is justify by DGM (Mkt) or AGM (Mkt)with relevant trading managers with the consent from GM
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Goods Receiving Guideline

- Ordered goods should be received within One week from the supplier. If it's exceeded more than one week, it's required to obtain prior approval from the senior management upon consent from customer as well

Stock Releasing Guidelines

Purchased items need to be sold under following time period by the relevant Trading and showroom manager as follows:

- i. Purchasing for confirmed purchase orders: Should release/sell the stocks from purchasing location maximum within 2 weeks
- ii. Purchasing for general sales stocks : Should release maximum within 2months
- iii. If items purchase for display purposes should be sold within 03 months

Imports

- Since the imported products are purchased from the other country procurement to be done after negotiating with individual suppliers based on the possibilities of meeting our guidelines to fulfill our basic expectations. (E.g.: providing samples and submission of test and quality certificates etc.)

The following to be considered when ordering goods under imports

- Goods to be ordered depending on with the monthly movement and any confirmed pending bulk orders.
- Reorder level to be decided taken in to consideration of lead time of receiving goods
- Current stock levels and expected time period of dispose of current stocks
- Pricing patterns of market based on the external market factors (E.g.: Duty & taxes)
- The ordering minimum stock level and other purchasing decision to be decided by the trading manager with consultation of DGM/AGM marketing.
- The approval to be taken from chairman prior to order the goods for imports

Since most of the products are locally based products, that we happen to purchase from local manufacture or sole agent. Therefore, we should provide some competitive advantage through value addition with our servicers (valid justification) to our loyal customers not to directly purchase from the suppliers but to purchase from STC. As such, it's very important to provide quality product, at a competitive rate, within agreed time period with certain value addition.

In this stiff competitive environment, to increase the turnover in a profitable manner to uplift the standers of the STC it is an indeed requirement of practicing these procurement guidelines not only follow the state obligations but also to practice the purchasing activities in a more viable way. This will help to bench mark the STC procurement procedure and to apply with other state organizations (who is involving trading transactions) in a more productive manner.

Related Documents :

Agreement for National Level Manufacturers, Brand Owners and Distributors

April / 2023