



1. Introduction

The purpose of a procurement policy is to ensure that

Obtain the best Value for Money: Focus on the bids/negotiations that provide the best value for money, taking account into quality, cost, etc.,

- a. **Meet Customer Expectations:** Determine the customer needs then find the suitable suppliers who can provide the goods with quality at best prices.
- b. **Reduce Risk:** Procurement can simplify the risk managements by identifying and informing the company about the purchase decisions.

2. Scope of Procurement

To Establish a system of purchasing in order to ensure Procurement product

- a. **Confirms Obtain the best Value for Money:** Focus on the bids/negotiations that provide the best value for money, taking account into quality, cost, etc.,
- b. **Meet Customer Expectations:** Determine the customer needs then find the suitable suppliers who can provide the goods with quality at best prices.

Reduce Risk: Procurement can simplify the risk managements by identifying and informing Purpose:

Applicable to

- a) Raw Material (Production)
- b) Sub-Contract items (Production)
- c) Other Services (Non-Production)
- d) Reference Standard & Requirements : IATF 16949:2016 - 8.4

3. Basic Elements of an Effective Procurement Policy:

For Effective procurement policies, KSH Automotive procurement Dept., typically will follow the below mentioned criterias

- a. **Competition** – How are potential vendors identified, evaluated, and selected?
- b. **Negotiating Term** – What are the parties' rights and obligations during the transaction?
- c. **Internal Controls** – How can equal opportunity for potential vendors be increased and wasteful, fraudulent, and abusive purchases be reduced?



4. Risk Identification

S.No	Risk	Impact	Mitigation
1	Raw material properties do not match within Specification	<ul style="list-style-type: none">Affect the product qualityDelivery product does not meet the customer requirement	<ul style="list-style-type: none">Every lot supplier Mil TC verifiedInternal quality checking to confirm the material characteristics
2	Wrong Dimension or Specification received from supplier	<ul style="list-style-type: none">Production line Stoppage	<ul style="list-style-type: none">As per the receiving inspection standar -10% dimensional, 30%packing & Visual inspection for each mother coil carried out
3	Tansport Problem	<ul style="list-style-type: none">Line Stoppage	<ul style="list-style-type: none">Min 3 days inventory will be maintaine at plant.Proper scheduling of delivery
4	Material Unavailability	<ul style="list-style-type: none">Line stoppage & Manpower IdealNegative feedback occurs	<ul style="list-style-type: none">Min 7 days inventory will be maintained at slitter end.Prior planning of required materials
5	Wrong part supply	<ul style="list-style-type: none">Waste of time & line stopTime delay in delivering material to customer	<ul style="list-style-type: none">Quality agreements are followed the External service provider to initiate zero defects
6	Product not within the quality, environment and delivery requirement while trial	<ul style="list-style-type: none">Line StoppageLeakages or damaged productsNot meeting on time	<ul style="list-style-type: none">Supplier selection check sheet covered all the inputs



7	<ul style="list-style-type: none">• Material properties does not within supplier agreement mentioned specifcation Ex:• Raw material properties doesnot within specification• Wrong spec. received from supplier• Transport problem• 4.Material unavailability	<ul style="list-style-type: none">• Line Stoppage• Affect product quality• Line Stoppage• Manpower wastage• wastage of time & line stop• Customer dissatisfaction• Loss of business• Time delay in delivering material to customer	<ul style="list-style-type: none">• Every lot supplier Mill TC Verified• As per the receiving inspection standar -10% dimensional, 30%packing & Visual inspection for each mother coil carried out• Min 3 days inventory will be maintaine at plant.• Proper schedule of Delivery• Min 7 days inventory will be maintained at slitte end.• Proper planning of required materials
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5. Procedure Details

6. Material Planning

7. GM-Procurements will prepare quarterly material requirements (tentative) based on the projection given by customer in his purchase order/schedule. The material requirements (Firm) will be released based on product/customer schedules. Deliveries will be daily/weekly/fortnightly/monthly depending upon the value of items.

a. Note: Raw materilas will include production consumables such as coils, welding rods and packaging materials.

8. Registration of Suppliers

9. Registration of Suppliers is done for Raw Materials production items and Subcontract Items.

10. The evaluation and selection of Suppliers starts with registration. Suppliers Registration is to be used for this purpose. The purpose of this registration is to collect the information about the Supplier, regarding his Capacity, Technical details, Personnel details, the Core Business and the main customers. The Supplier Registration Form may be send by mail or in person for collecting the above information.

11. The HOD-Procurement will scrutinize the information provided by the Supplier to assess the suitability of the Supplier. If found not suitable no further action is taken. If found suitable the action will be taken to evaluate the Suppliers as per the procedure given in the following.



12. Evaluation and Selection of Suppliers

13. The Suppliers are Evaluated and Selected as per the Suppliers Selection Flowchart.

14. In this this method the Supplier's facilities and capabilities will be evaluated by HOD-Procurement and HOD-Quality. Before assessment, the Supplier registration form& Supplier assessment & evaluation Form will be filled up by Supplier. In case of Local Suppliers, audit at supplier site by quality and Procurement. When the results of evaluation are satisfactory, the Supplier will be selected and approved by GM-Quality & MD.

15. For Raw Material and Sub-Contract Items Suppliers, selection will be based on a self-audit by the Supplier. The questionnaire for self-audit will be sent by KSH-HOD Procurement.

16. Customer approved supplier

17. The same selection (8.3.1) procedure will be followed for the customer directed suppliers as followed for other supplier, unless specific agreements are otherwise contract between KSH and the customer. This will be identified at the time of contract review or joint.

18. Agrrment of Suppliers

- a. KSH Quality Agreement communicated to the Suppliers once based on the past performance in Quality / Delivery and acknowledged them.
- b. Chemical & Physical properties requirement will be communicated to the Raw Material Supplier in the means of Technical delivery condition (TDC) sheet.
- c. Material related ROHS data sheet to be shared by supplier to KSH while the agreement period.

19. Monitoring of Supploers

20. Quality and Delivery Rating

- a. The suppliers of raw materials and Sub contract items will be monitored through quality and delivery rating. This will be done, once in months.
- b. The formula to be used for quality and delivery rating for Suppliers is as follows
- c. $Q \text{ Rating (Rej \%)} = ((\text{Quantity accepted in straight})/(\text{Total No.of Parts}))*100$
- d. $\text{Delivery Rating} = ((\text{No.of parts received within schedule time})/(\text{Schedule Qty}))*100$

A. Note:

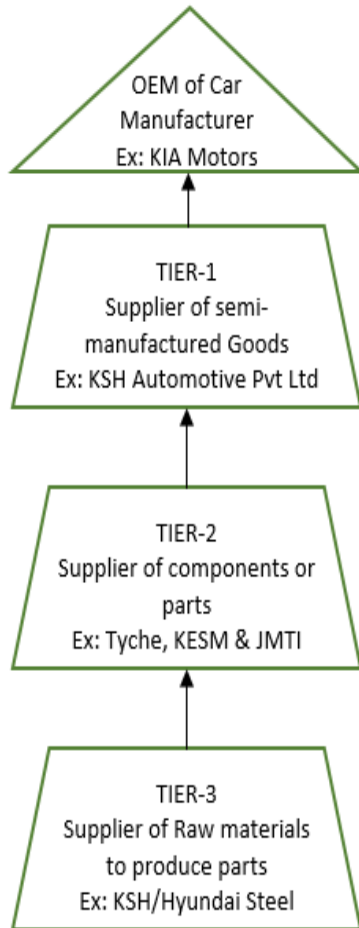
21. Any item accepted after sorting or concession, the weightage for quality rating of that lot is to be taken as 0.7



22. Supplier Overall Performance Rating is De-Rated to a Score of 0% In the Following Conditions
23. Customer complaint from OEI's on account of supplier's problem.
24. In-plant and customer line stoppage either due to late delivery or poor quality.
25. Any special notification by OEM
26. Customer disruption at receiving plant including yard hold & stop ships.
27. Dealer return, warranty, field action and recalls on account of supplier problem.
28. Premium freight paid on account of delivery failure.
29. If the delivery, Quality rating for any item is below 70%, a warning letter is to be sent to the suppliers, advising him to take corrective action in order to improve quality and delivery rating. In spite of the warning letter the quality or delivery rating falls below 70% in the next two consecutive periods, then action will be taken to delist the suppliers. For single source items a suitable alternate suppliers will be developed before deletion.
30. Any delisted suppliers can be approved only after the suppliers show adequate evidence for implementation of corrective actions for quality & delivery problems. In addition to this, sample will also have to be obtained from suppliers before approval
31. PREPARATION AND RELEASE OF PURCHASE ORDER :
32. Purchase actions are initiated under the situations
33. Receipt of material requirement plan/production schedule from production
34. Requisition from user departments (Indent will be raised in ERP/KSH portal)
35. Procurement requisitions are to be reviewed for adequacy of data by Executive Procurement
36. Procurement orders are to be prepared by Procurement Executives & Same will be approved by GM- Procurement before release. Procurement orders of departmental projects will be authorized by MD after HOD-Procurement. PO has to be released on time to protect the interest of the supplier after appropriate approval
37. In respect of Procurement orders for special processes, the procurement order will specify approval of suppliers control plan by KSH.
38. Whenever a new item (Bought out/Sub contract item) is ordered, the PO is to specify the requirement of PPAP
39. Whenever KSH proposes to inspect items at suppliers premises such requirement is to be specified in Procurement order.



- 40. Whenever KSH Agreed with the customers, customer or its representative will be afforded the right to verify suppliers premises
- 41. Whenever a self life time is ordered procurement order to clearly specify marking the date of manufacture/Expiry on the packing of item.
- 42. In case of any toxic, hazardous and restricted materials the procurement order shall specify submission of the material safety data sheet by supplier
- 43. If suppliers performing electroplating process it is necessary for suppliers to produce clearance from pollution control board
- 44. Wherever significant aspects and/or hazards are associated with the goods and services procurement, a work instruction will be made for the control of the associated impact/ consequences and a copy sent along with the procurement order
- 45. Wherever any regulatory requirements are to be compiled with the procurement product/materials such requirements are to be specified in the Procurement order (ROHS) & Schedules are to be included in the procurement order.
- 46. In Automotive Industry There are Different Tier Suppliers that Deliver to OEM'S
- 47. We, KSH Automotives, being Tier-1 company Produces and supplies the assembly parts & semi-manufactured goods to OEM customer, KIA Motors.
- 48. Final Objective:
- 49. The Final objective of the procurement is to Save Cost and Supply Requirements of the business in the most convenient and conventional ways and to ensure the Quality of the products . And also to maintain adaptive Inventory levels so that not to maintain high level volumes of goods which will increase the purchase revenue and also possibility for damages.



- **Tier 1 Supplier:** Companies that supply to OEM's with components and semi-manufactured goods.
- **Tier 2 Supplier:** Companies that supply to tier 1 companies which are the ones that supply directly to OEMs also.
- **Tier 3 Supplier:** Companies that supplies components, parts or Raw materials to produce the components

For KSH Automotive Pvt. Ltd.



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Managing DirectorS