CENTRALISED PURCHASE POLICY – JAIN IRRIGATION SYSTEMS LIMITED

AMENDED AND APPROVED ON 23rd July, 2024

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OWNER OF THE POLICY: MR. ANIL MUNGAD AND MR. PRADEEP JAIN

CHIEF COMPLIANCE OFFICER: MR. A.V. GHODGAONKAR

Jain Irrigation Systems Ltd.
Small Ideas. Big Revolutions.®

CENTRALISED PURCHASE POLICY

1.1.0 BACKGROUND

1.1.1. In our pursuit to "Delight the Customers", we have to re-orient ourselves in all our operations. Purchase being the most important activity where almost 60-70% of our revenues are spent thus assumes very high importance and is a very critical function of the business process. To remain competitive, it is therefore necessary to continuously develop and monitor purchasing processes and strategies which can effectively counter the market pressures on cost, quality, and price.

1.1.2. Currently, we are following system of decentralized purchasers. Every division is attached with a team of purchaser. This system was adopted mainly to facilitate swift action and close interaction between the purchaser and the user. This was particularly helpful when Green-field projects were set up or new locations were added.

1.1.3. However, by now, most of our businesses are well settled and our growth is mostly, vertical and through acquisitions. Our business is now in consolidation phase. We therefore need to focus and create a group of purchasers who are stationed in a given location and develop skills in their respective fields.

1.1.4. Our SAP system is now fairly stabilised. All of the purchasers need to learn use of SAP effectively, so that their decisions are based on knowledge and information available in the system.

1.1.5. All the purchasers are required to get themselves conversant with the basic principles and procedures which are laid down in this document. Necessary training has to be organised to make them competent.

2.1.0 DEFINITION:

2.1.1. The purchase function includes procurement of raw materials, finished products, assemblies, capital assets or services required by the organisation directly or indirectly.

3.1.0 PRIME OBJECTIVE

The Prime Objective is to procure the required materials and / or services so as to obtain:

3.1.1. Competitive pricing, improved cash flow, continuous cost reduction, continuous improvement in quality & uninterrupted supply to avoid delays and disruption in production process. We can achieve this objective only if inventories are kept within optimum limits and favourable payment terms are negotiated. The net result ought to ensure enhanced margins / profits for the organisation

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3.1.2. The following steps will help reach the above objectives efficiently:

- ❖ Reduce the number of suppliers and number of items by standardizing the specifications
- ❖ Secure contracts for price, quality, quantity and Just in Time delivery.
- ❖ Consolidate Purchase requisition through a central Inventory Control
- ❖ All of the above measures will reduce the load on SAP to be speedy and effective
- ❖ Organise Periodical Supplier Meets with following objectives:
- ➢ Facilitate exchange of Ideas for Cost Reduction, Process improvements and capacity building.
- ➢ Enhance mutual confidence level in regard to long term prospects, financial reliability by generating mutual respect and trust.
- ➢ Explore possibilities of procurement on Cost+ basis.

3.2.1. Purchasing strategies & tools:

3.2.2. It is extremely important to have well defined strategies and tools in place to maximize purchasing efficiencies.

3.2.3. Strategies are formulated taking into consideration the marketing conditions, products and services to be procured, supplier profile and internal targets.

3.2.4. Strategies vary from time to time to suit the changing business environment and are therefore dynamic.

3.2.5. The following purchasing strategies may be adopted:

Individual Negotiations: Customer specifications and commercial terms and conditions vary widely for every purchase. Hence it is essential to negotiate the requirements on a case to case and on competitive basis. This strategy is particularly applicable for project and capital purchases.

Annual Contracts: Contracts in standard templates, valid for a specified period of time, are finalized for repetitive purchases of a standard nature. This strategy aids in rationalizing the purchase process and supplier base.

Consolidation of Demand: This strategy is very widely employed wherever multi location/multi plant purchases are involved. Common demands from various locations/plants are first identified and then consolidated for negotiations with prospective suppliers. This gives volume leverage, besides better price levels. Supplier base is also optimized.

Commodity Management: Focus on major commodities which contribute to about 70% to 80% of the total purchasing volume.

Commodity Managers are assigned for each of these major commodities. They are responsible for activities like Market study, identification of potential Suppliers, formulating purchasing strategies and participating in major negotiations. Besides

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employing uniform purchasing strategies for the respective commodities, it also provides "one face" to the Suppliers.

New / alternate Supplier development: We should constantly endeavour to develop alternate/ new sources for identified commodities. This is to prevent monopolistic behaviour of existing Suppliers and also to mitigate dependency risks. Market pressures on deliveries, quality and cost of finished goods also trigger the need to develop new suppliers with efficient processes and large manufacturing capacities.

Change of material: It is essential at times to search for alternate materials to rationalize the cost of finished goods. This is undertaken on a cross-functional basis jointly with the Quality Assurance and Design groups.

Design, process and productivity improvements: This is a cross-functional activity carried out with the Supplier to optimize the manufacturing process and improve the design. The objective is to reduce the lead time besides the material and manufacturing costs. Major portion of the cost reduction is passed on to us.

Market Intelligence: If Raw material prices are expected to increase in future, forward bookings with Suppliers, at current prices, are made for quantities in advance, this reduces exposure to risks due to volatile increases in raw material prices.

3.3.1. The following tools can be used :

Published price trends

Empirical Cost Structure

Compilation of market rates

Standard templates for contracting

Monitoring supplier performance through evaluation & rating.

3.2.6. All of these objectives are inter-dependent, and they need to be aligned with our principle objective of swift and smooth services and quick response to the customer along with timely delivery of the product. We must aim to achieve response time to Customer orders not exceeding 2 days in case of standard products/sizes. In case of nonstandard/custom made products/sizes the response time can be extended to maximum one week. The response time may differ from division to division depending on the availability of raw material from local or imported sources.'

3.2.7. The above strategies & tools will help us produce the goods at optimum cost and offer the same to the customers at reasonable prices, retaining a fair margin for the organisation.

4.1.0 SUPPLIER EVALUATION, SELECTION CRITERIA AND FINALISATION OF CONTRACTS:

4.1.1. Quality Standard:

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4.1.2. Quality of the Supplier products has to be of International standard & preferably suppliers should be an exporter or a Supplier to MNCs or some such organization who are known to be quality conscious. Preference to be given to the suppliers who have accreditation from quality standards like ISO etc.

4.1.3. We must have a full evaluation of the Supplier's testing equipment. Purchaser jointly with QA should meticulously verify the accuracy and the calibration certificates of the testing equipment.

4.1.4. QA must evaluate their Supplier quality systems and periodically audit the same for adherence.

4.1.5. Refer to our quality policy as per Annexure I and follow the principles enumerated therein. Quality must not only be show case item; it has to be a way of life with the Supplier. The quality can be perceived in everything that we may see in & around the inside & outside of the manufacturing location.

4.1.6. The quality of the end product will be largely dependent on the quality of the inputs or major raw materials. If possible get references from his major raw supplier / suppliers

4.2.0 Capacity assessment:

4.2.1. The Supplier should have capacity to meet the peak demand of his present customers and also to meet the demands of additional customers if any.

4.2.2. The quality of equipment and facilities have a direct relationship with the capacity. We should make a detailed assessment of the manufacturing equipment so as to assess their accuracy as well as production capacity as claimed by the Supplier.

4.2.3. We need to verify if the Supplier has what is generally referred as "swing machines" i.e. the equipment can be put to different use at a short notice. This factor is helpful in overall capacity assessment.

4.2.4. The status & efficacy of existing utilities is critical. E.g., the availability & quality of water & electrical supply from DG set etc.

4.2.5. It should be verified if the Supplier is excessively dependent on other suppliers for critical parts, assemblies, components or electronics. Disproportionate reliance on outside suppliers can our supplier's capacity.

4.2.6. Their financial capability can be assessed from the financial statements, which should be insisted upon and taken for our record. These statements should have been audited by reputed & reliable auditors. With the permission of the Supplier, visit to their bankers may also be organized. This will be an added comfort as to his financial status.

4.2.7. He should be in a financial position to enhance the capacity at short notice.

4.3.0 Price Fixation:

4.3.1. Compare the price of the supplier with that of the market on landed cost basis. Please use the template Annexure II "Quotation comparison sheet"

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4.3.2. We should insist for total cost break up and suppliers should be willing to share the same transparently.

4.3.3. We should also develop our own cost structure and compare the prices with our estimates.

4.3.4. The cost plus formulae should be preferred. In which case the processing cost as well as profit margin are predetermined and fixed. As far as the raw material prices are concerned.

4.3.5. The gap between the agreed margin and increase in RM prices should leave at least 2% profit margin for the Supplier till such time the revision as agreed takes place.

4.4.0 Delivery Systems:

4.4.1. Suppliers should be willing to accept one of the following appropriate Inventory models:

Consignment Basis for “A” & “B” class items

Contract Warehouse close to our site for “A” & “B” class items

KANBAN for “C” Class items

4.4.2. He should also have adequate storage facility to hold the stock to be supplied “Just In Time” (JIT)

4.4.3. As far as possible, we should ask for the delivery ex our works basis including the packing and logistics cost.

4.5.1. Payment Terms, Procedures and Precautions:

4.5.2. We must check the payment terms supplier is offering to his other customers.

4.5.3. Contracts as well as spot purchases have to be minimum on 30 days cost free credit. Preferably, we should ask for 60 days, ideally it should be 90 days and above. For foreign purchases, the minimum ought to be 60 days and maximum 180days.

4.5.4. For suppliers who insist on LC (domestic or international) we can provide the same if they bear all the costs involved. However the opening charges will be borne by us.

4.5.5. Each and every payment to the supplier has to be made only after verification from SAP and QA department.

4.5.6. If suppliers’ payments are delayed we should agree to pay the interest@ 10% p.a. for period of default after providing the grace period of 10 days.

4.5.7. In case the supplier insists, Purchase Head should negotiate compensation of token amount for not lifting committed quantities in a given period.

4.5.8. If we altogether cancel the P.O. and after due verification we find that the supplier has manufactured the said item only for us and cannot sell the same to any other party, then we should consider compensation for the probable loss, the supplier may suffer on this account.

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4.5.9. Authorisation for Compensation payment:

Up to Rs. 2 lakh by PH

Above Rs. 2 lakhs by CFO

Above Rs.10 lakhs by Director.

4.5.10. All PO's should incorporate LD clause and or penalty Clause for late delivery/non supply or inferior quality supply. It should also include Risk purchase clause. The PO must specify minimum % per week and the maximum limit of penalty applicable. The PH and CFO would do the same in consultation.

4.5.11. Payment has to be made only by bank transfer (RTGS/NEFT).

4.5.12. In exceptional circumstances where payments have to be made by cash/cheque/DD, approval of CFO is necessary.

4.5.13. Supplier to maintain critical spares (to be verified periodically)

4.5.14. ARC/AMC: Supplier should be willing to sign the ARC/AMC. We should also verify whether they have ARC/AMC with their other customers and also with their suppliers

4.5.15. Up gradation or Exchange: Supplier should be willing to adopt the new technology, process changes in order to improve the quality and reduce the cost. For example if the equipment/material /services supplied by the suppliers are upgraded, supplier should either upgrade our existing equipment or replace the same with new versions at reasonable cost. Such agreements should be secured at the time of purchase itself.

4.5.16. Suppliers have to be systematically evaluated and graded by the cross functional team comprising the members from Purchase, quality and technology. The findings should be recorded on the Supplier evaluation form. As per Annexure III

4.5.17. In addition to the criteria mentioned above, the Supplier capability should be evaluated in the following areas also:

Environmental health & safety (EHS), social accountability & ethical practices.

4.5.18. Steps to be followed for evaluation:

Get samples from supplier, which should be inspected as per the quality requirements, dimensions and specifications and lab evaluation. The results should be recorded as First sample report. We must insist for the inspection report and test certificates from the suppliers.

Depending on the criticality of the item, we should go for the fitment trial. once the samples are accepted in all respect we should give them clearance for supplying the pilot lot

Further get once or twice samples for pilot trials and plant scale trials.

Supplier will thereafter be added to the approved Supplier list in SAP.

4.5.19. Authorisation limit for final approval is as follows:

Up to Rs. 1 Crore by PH

Above 1 crore by CFO

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Above 2 Crore by Director.

4.5.20. Above criteria for Supplier selection/evaluation should be practiced or developed and recorded by the purchase team headed by PH.

5.1.0 INTERESTED PARTY SUPPLIER SELECTION:

5.1.1. If a purchase is being made from a relative, or a friend it is to be treated as interested party purchase. As long as quality, pricing, payment terms etc., are at par or better than the other suppliers, there is no bar for making purchases even if there can be an underlying conflict of interest.

5.1.2. However, such purchases should be done with prior approval of the Director.

6.1.0 BUILDING RELATIONSHIP WITH THE SUPPLIERS:

6.1.1. It is true that we cannot be completely indifferent as to the relationship between Purchasers and the supplier. Having cordial relationship with the supplier is quite within the overall corporate philosophy.

6.1.2. However a safe distance has to be kept between the purchaser and the supplier.

6.1.3. Mainly Group Leader (GH) will be responsible for maintaining such relationship

6.1.4. However, the PH should always be kept informed.

6.1.5. For major purchases such as Rs. 1 crore and above/per annum, the GL will essentially have to discuss the matter with PH and make him meet the supplier periodically.

7.1.0 PRE INVOLVEMENT OF SUPPLIERS:

7.1.1 Whenever any new product/Process is developed, we must ensure that we involve the potential suppliers at the design stage to take their inputs. Suppliers are expert in their field and they suggest very good and cost effective ideas. This helps in designing the products economically.

8.1.0 SUPPLIER PERFORMANCE MONITORING:

8.1.1. Supplier performance on individual purchase orders is monitored through the process of Supplier Rating.

8.1.2. Suppliers are rated on four criteria. Based on the Score, the grading is done which is given below in the table:

Criteria	
Quality	40%
Price	30%
Delivery.	20%
Service	10%

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Composite Rating	Grade
90 and above	Excellent
80 to 89	Good
70 to 79	Needs Improvement
Less than 70	Discontinue Supplier

9.1.0 NEW / ALTERNATE SUPPLIER DEVELOPMENT

9.1.1. We should constantly endeavour to develop alternate/ new sources for identified commodities.

9.1.2. This is to prevent monopolistic behaviour of existing Suppliers and also to mitigate dependency risks.

9.1.3. Market pressures on deliveries, quality and cost of finished goods also trigger the need to develop new suppliers with efficient processes and large manufacturing capacities.

9.1.4. Components requiring special materials and manufacturing processes are generally sourced from overseas. This is particularly essential for exports wherein overseas customers specify the sources.

10.1.0 RESPONSIBILITY OF INDENTERS:

10.1.1. Alternatives/Substitutes to be insisted upon:

10.1.2. Wherever feasible the purchaser should ask the indenter to suggest alternative makes / grades or sources of supply, which are close to the requirement. Along with the specifications.

10.1.3. In case the detailed specification is not available, the indenter should be the part of purchasing team to discuss requirements with the suppliers or make samples available to the Purchase team.

10.2.1. Submission of drawing/specification and other Information:

10.2.2. To avoid wrong or mistaken purchases it is compulsory on the part of the indenter to offer maximum information regarding intended purchase.

10.2.3. The indenters or users must submit full specifications, layouts, drawings

10.2.4. Indenters should share their experience with regard to the suppliers.

10.2.5. Quality improvement is a never ending subject. For such improvements QA /user department should keep on revising the drawings of the components and or upgrading the specifications of the material and keep the purchase dept. duly informed.

10.2.6. For the inventory already in stock or in WIP or on order, suitable process for correction/up gradation/salvaging/disposal should be defined by the QA/User dept.

10.2.7. In case of change in the specifications, improvement in the design, the inventory already in stores, and/or ordered as per the old specifications, and/or drawing, need to be phased out, before we phase in the new components and/or material.

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11.1.0 OVERALL POLICY FOR PURCHASES:

11.1.1. Preference to purchases on contract:

11.1.2. As far as possible we should insist on purchasing the product directly from the manufacturers. This can be done in one of the following manner.

For all standard items of repetitive requirements, Annual contracts at agreed prices for indicative total annual purchase quantities should be signed. Please use Annexure IV "Annual Rate Contract Template"

If annual contract is not possible, periodical contract like half yearly, quarterly or monthly should be insisted on.

Quantity contract with price variation: The formula for such price variation should be discussed and finalized with Suppliers and should be included in the contract. For guidance please refer to clause 4.3.4

Purchases from standard large corporations may have to be negotiated on spot basis.

Where ever possible, a Master Purchase Order should be released and the delivery schedule can be given as and when required.

Suitable clause should be included in the purchase order to change the delivery schedule

11.2.1. Minimum purchase order:

11.2.2. Minimum and required purchase quantity can vary.

11.2.3. It is true that we have to buy at the most competitive price and for that reason we may have to buy at a given time more than what is required.

11.2.4. The paramount consideration ought to be our inventory limits.

11.2.5. The supplier should be persuaded to carry the extra stock in his inventory and we should ensure that we buy on preference from him either under contract or on spot basis. This question will not arise in the case of contracted quantity.

11.3.1. The purchases for all the items where the annual total value exceeds Rs. 1 crore should be from Suppliers who have a contract with us.

11.4.1. We can enter into purchase contract with more than one supplier. It should be usually with minimum two or three suppliers depending on total annual value of the contract.

11.4.2. The preferred supplier should be offered up to 60% of the intended volume. Other two suppliers can be given 20%each.

11.4.3. The preferred supplier, who may be supplying 60%, may have to be given, as an exception, a marginally higher rate.

11.5.1. Limits of Authority for approval of Purchase contracts:

Up to Rs. 50 lakh/ annum by PH

More than 50 lakh by CFO

Above 2 crores by the Director.

11.6.1. General Provisions:

11.6.2. The purchasing team will ensure that an NDA is obtained in the given format as per Annexure III before proprietary IP/drawings or specifications are parted with.

11.6.3. Inclusion of Engineers: It is decided that there would be one engineer in every group of purchasers.

11.6.4. Technical Support: A technical support team would also assist and guide the purchase team. Purchase Team should not feel shy of asking them questions related to quality, suppliers' credibility, past experience, any technical queries etc.

11.6.5. The user dept. is obliged to participate and offer their point of view in constructive and positive manner.

11.6.6. Emergency purchases:

The PH is authorized to make such purchases keeping aside the usual procedures.

In such cases proper justification should be recorded.

For value above Rs. 10 lakhs approval from the CFO and for value above Rs 20 lakhs approval from the Director in charge is required.

11.6.7. R&D purchases:

The purchases for R&D may have to be initially from the suppliers specified by the indenter / user.

However in due course such purchases should also be bought under regular procedure.

In case R&D purchases have to be made, over ruling the policy guide lines in terms of inventory and payment procedures, PH can authorise such purchases up to a limit of Rs. 10 Lakhs.

For the value above Rs. 10 lakhs and less than Rs. 20 lacs approval from the CFO and for value above Rs 20 lakhs approval from the Director in charge is required..

11.6.8. Online purchase/ E-Procurement: This may be considered up to 5000 USD or Rs. 3 Lakhs from reputed known sources through international credit card which is to be maintained by PH and CFO.

11.6.9. Purchases for export:

If any material required for manufacture of Pipes and Piping systems for Export it should be separately communicated by Plant and same should be indicated in P.O.

This will enable Purchase dept. to source the material under Advance License and or under CT3 form which can save Customs and or Excise duty on such purchases.

The Sales tax (CST OR VAT) can be claimed as setoff from the department.

Direct communication from Export department while booking the order addressed to Plant & cc to purchaser may be one way of communication.

11.6.10. Strategic purchase: Such purchases of whatever value will need to be decided by the director in consultation with everyone concerned.

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11.6.11. Purchase from OEM suppliers:

If the OEM suppliers simply do not deal directly we will be obliged to deal with their dealers or distributors.

In such an event we will have to consider the distributor/dealer at par with manufacturer.

In some cases it may be possible that company itself becomes the dealer or distributor of manufacturer and effort should be made in that direction.

12.1.0 CAPITAL ASSET PURCHASE GUIDELINES, NEGOTIATION AND ADVANCED PAYMENT:

12.1.1. For every imported or indigenous capital asset purchase, we should normally insist on 3 to 5 years warranty.

12.1.2. We should also negotiate any further AMC for a desirable period.

12.1.3. Ask for frequently required spare parts at bare bone prices at least for parts and components which would be required in coming 2 to 3 years.

12.1.4. These factors are to be negotiated only after the price and payment terms are fixed.

12.1.5. Every capital purchase has to be approved by two Directors.

12.1.6. The Directors should also be involved during the finalization process for high value items above Rs. 10 lakhs.

12.1.7. Few suppliers insist upon getting as much as 30 to 40% of the value as an advance. In all cases where advance exceeds 10%, we should insist upon a financial bank guarantee of the like amount before / or against the advance paid.

12.1.8. A performance bank guarantee is a precondition in all cases before advance payment. Ideally it should be 10% of the value and for the period of warranty.

12.1.9. CFO/Director, individually or jointly is authorized to relax the terms of payment, advance to be paid or guarantee requirement.

12.1.10. No capital purchase exceeding a value of Rs. 2 crores should be authorized/done unless and until a long term financing arrangement is in place for the purpose. If this limit is to be exceeded the MD will have to approve the same

12.1.11. Every asset purchase PO above Rs. 10 lakhs should be routed and released through CFO and Director.

12.1.12. The justification/decision sheet from all the operating department heads and minimum 3 Directors will be required for capital Purchase in Value exceeding Rs. 50 lakhs.

13.1.0 INVENTORY CONTROL CONSTRAINTS:

13.1.1. All purchases have to be classified on A, B, C or D basis. The Categorisation based on the annual Purchasing volume will be as follows:

A category - 70 %

B category – 15%

C category – 10%

D category – 5%

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13.1.2. For Indigenous raw material inventory category

A category, not to exceed 30 days,

B category 60 days,

C category 90 days

D category 180 days

The above inventory days are including the transit time.

13.1.3. The inventory of Bulk Raw Material for which supplier Company Depots are in Jalgaon or the transit time is not more than 2 days, should never exceed 1 week.

13.1.4. For Imported material lead time should be 45 days from the date of shipment over and above the indicated/committed lead time by the suppliers

13.1.5. It is critical to maintain these inventory levels for following reasons:

Not to block the funds.

Obtain maximum credit from Suppliers

Avoid emergency for spot purchases and production breakdowns / delays.

13.3.1. Access to Inventory:

Management would ensure that detailed inventory listing is available at all the manufacturing locations.

No one should raise an indent or a PO without taking into account the availability of the intended item to be purchased.

Any negligence on this account may invite serious action.

13.4.1. Inventory control limits:

13.4.2. Set limit for inventory for each division can be varied/increased up to 10% by CFO, up to 15% by joint MD's and above that by MD.

13.5.1. System Familiarization & Price Negotiation:

13.5.2. At each location there must be two persons who are fully trained on the functioning of SAP and its accessibility across the board. Purchase Head/CFO or IT person should train such persons.

13.5.3. No one should take action, raise PO or settle rates / prices for given item without referring to the information available on SAP.

13.5.4. SAP system gives average price, the previous purchase price as well as names of Suppliers and alternative sources for purchase.

13.5.5. Take all this into consideration without fail. Omission or exception is not acceptable.

13.5.6. Training/awareness to purchase department regarding domestic taxes, high seas purchase, Transport permit (out of state) etc. is necessary. This will be mainly the responsibility of PH and the CFO or Tax dept.

13.6.1. Cash discount Vs Interest Cost:

In the first place we should bargain heavily for the prices/Rates.

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Thereafter start talking about the payment terms.

Having negotiated the payment terms, we should then carefully weigh the cost of agreed credit and ask for higher discount in lieu of the credit and pay cash wherever possible.

13.7.1. Modvat:

13.7.2. We must insist on getting a Modvat invoice for every excisable consignment. This allows us to verify the real rate.

13.7.3. Thereafter claim precise amount by way of Modvat.

13.7.4. From Modvat invoice we also come to know the weight.

13.7.5. Modvat information can also be useful to get many other details.

13.7.6. This should also form a part of condition in P.O. e.g. documents required, Modvat gate pass duly filled and completed.

13.7.7. For purchase from SSI units, who do not have Modvat, We should compare the landed price and make the Purchase decision.

13.7.8. Quotation Comparison Sheet as per Annexure III should be used for Decision

13.8.1. The company policy neither favours nor suggests avoidance of purchase from SSI units.

14.1.0 DECISION MAKING PROCESS & SPEED:

14.1.1. It is observed that purchasers' defer decisions for the fear of audit.

14.1.2. If the purchasers' do their homework properly and completely, they do not have to worry about anything including audit. However they should have enough justification on record of the circumstances under which they had to do what they did. In such a case the company will not penalize such actions, however the purchaser will have to be more diligent in future, In case they are found to have erred or found rather relaxed or negligent.

14.1.3. Please do remember that you are the owner of your work and you cannot shun the responsibility for making the right purchase within the right time.

14.1.4. **CONFLICT OF INTEREST**

No employee, officer, or agent may participate in the selection, award, or administration of a contract if he or she has a real or apparent conflict of interest. Such a conflict of interest would arise when the employee, officer, or agent, any member of his or her immediate family, his or her partner, or an organization which employs or is about to employ any of the parties indicated herein, has a financial or other interest in or a tangible personal benefit from a firm considered for a contract. Organizational Conflict of Interest – If the non-Federal entity has a parent, affiliate, or subsidiary organization that is not a state government, local government, or Indian tribe, the non-Federal entity must also maintain written standards of conduct covering organizational conflicts of interest. Organizational conflicts of interest means that because of relationships with a parent company, affiliate, or subsidiary organization, the non-Federal entity is unable or appears to be unable to be impartial in conducting a procurement action involving the related organization.

14.1.5. **WAIVERS FROM CONFLICTS OF INTEREST**

The Company may grant a waiver from the conflict of interest provision or the contemporaneous employment provision upon making a determination on the record that: a) The contemporaneous employment or financial interest of the employee or officer has been publicly disclosed; b) The employee or officer is not a part of the purchasing process or approval process; and c) The award will be in the best interest of the Company.

15.1.0 CO-ORDINATION BETWEEN QA & PURCHASE:

15.1.1. Both of these are independent functions though in practice they are interdependent. If QA people find that a given product is substandard, they can refuse to accept the material and or return the material at the cost of suppliers.

15.1.2. The purchase will have to raise a debit note and in some cases a claim for loss of production or loss of opportunity. In case of quality defects, QA & Purchase are to act in unison and not as two different functions. Any dispute, they should refer to the Director.

15.1.3. In case QA delays the acceptance and the plant is forced to accept the material under deviation, the matter should be carefully investigated by the concerned dept. Head and PH.

15.1.4. QA must act in time and swiftly.

15.1.5. This becomes all the more important particularly when we have to control the inventory and avoid emergencies.

15.1.6. QA should work with the purchase team in order to improve the quality standards. They should suggest the improvements in the systems at supplier's end in order to continuously improve the quality of the products we purchase.

15.1.7. The associates at the store must record the receipts (GR) in SAP maximum within 24 hrs. QA should clear the GR in maximum of 24 hours.

16.1.0 AUDIT:

16.1.1. Auditor and Audit system should be taken as facilitator rather than adversary. They are there to help the purchasers do their work more accurately rather than find fault in what Purchaser is doing. The spirit of co-operation must be sustained.

16.1.2. The issues discussed / pointed out, need not be taken as personal reflection on integrity or competency of the purchasing team.

16.1.3. As the volumes expand, the audit systems shall have to be further strengthened and tightened to avoid lapses, frauds and to correct factual errors or errors of judgment, or malpractices.

16.1.4. However the auditors are cautioned not to make loose comments, come to hasty conclusion or resort to generalization.

16.1.5. Their presentation has to be necessarily based on specific facts and figures as well as concrete instances. The audit will report directly to the joint MDs and MD.

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17.1.0 CONFLICT OF INTERES

No employee, officer, or agent may participate in the selection, award, or administration of a contract if he or she has a real or apparent perceived conflict of interest. Such a conflict of interest would arise when the employee, officer, or agent, any member of his or her immediate family, his or her partner, or an organization which employs or is about to employ any of the parties indicated herein, has a financial or other interest in or a tangible personal benefit from a firm considered for a contract. Organizational Conflict of Interest – If the non-Federal entity has a parent, affiliate, or subsidiary organization that is not a state government, local government, or Indian tribe, the non-Federal entity must also maintain written standards of conduct covering organizational conflicts of interest. Organizational conflicts of interest means that because of relationships with a parent company, affiliate, or subsidiary organization, the non-Federal entity is unable or appears to be unable to be impartial in conducting a procurement action involving the related organization. All transactions would be specifically carried on Arms' Length basis. An arm's length transaction, also known as the arm's length principle (ALP), indicates a transaction between two independent parties in which both parties are acting in their own self-interest. Both buyer and seller are independent, possess equal bargaining power, are not under pressure or Duress. Duress refers to the act of using threats or psychological pressure to force someone to behave in a way that is contrary to their wishes. In contract law, from the opposing party, and are acting in their own self-interest to attain the most beneficial deal.

18.1.0 WAIVERS FROM CONFLICTS OF INTEREST

The Company may grant a waiver from the conflict of interest provision or the contemporaneous employment provision upon making a determination on the record that: a) The contemporaneous employment or financial interest of the Company employee or officer has been publicly disclosed; b) The Company employee or officer is not a part of the purchasing process or approval process; and c) The award will be in the best interest of the Company.

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For **Jain Irrigation Systems Ltd.**

Ajit B. Jain
Joint Managing Director
Date: 23rd July, 2024

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