



PURCHASE/SALES (MARKETING) POLICY

**Approved By
Registrar Cooperative Societies
Punjab, Chandigarh**

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PUNJAB STATE HANDLOOM WEAVERS'
APEX CO-OPERATIVE SOCIETY LTD.,
S.C.O. NO. 2945-46, SECTOR 22-C, CHANDIGARH

PURCHASE/SALES (MARKETING) POLICY

1. **The Object:** The object of WEAVCO is to coordinate and facilitate the working of the affiliated Cooperative Weaver Societies and to assist them in the matter of procurement of yarn, sale of their finished products and the development & promotion of weavers' interests as a whole on cooperative basis.
2. **Main Functions:** WEAVCO has been mainly engaged in the following activities :-
 - a) Purchase of both handloom and textile material for sale through showrooms spread in Punjab and outside the State in India.
 - b) Purchase and supply of both handloom and textile material to various Govt./Semi Govt./Cooperative Organizations.
 - c) Purchase of material from member cooperative societies for supply to various Central Govt. organizations through Association of Corporations and Apex Societies of Handlooms (ACASH), New Delhi.
 - d) Procurement of yarn from the source and to supply the same to the member societies for their consumption.
 - e) Running of Shoddy spinning plant at Humbran and for running this plant to purchase the raw material of shoddy rags and other requisites and to sell the shoddy yarn as well as the waste material.
 - f) To run the production and Process Centre at Amritsar: to procure the raw material for these centres, to process the material and to arrange for the sale of finished products.
3. **The Purchase Committee:** The major function of WEAVCO is to procure/produce various kinds of handloom and textile materials and to sell these through various channels, therefore, it shall be ensured that the materials shall be purchased by WEAVCO through purchase committee/s. The committee shall be headed by General Manager. The convener of the committee shall be Assistant Manager Procurement/Procurement Officer. The purchase committee shall have a total of five members. The remaining three members shall be nominated by the Managing Director. New purchases should not be more than its 80% of the purchase price per month. Sale price should be worked out keeping into view the price of similar goods in the market. Stocks should come down and sales should increase. However, purchases upto Rs. 1.00 lac will be made by the Officers' Committee as per demand of the showrooms as well as Govt. orders from time to time and purchases more than Rs. 1.00 lac will be made by the Committee constituted as per decision taken by the Board of Directors in their meeting dtd. 23.2.2001 (Agenda No.4)
4. **The System:** Broadly the supplies and consequently purchases at the level of WEAVCO are divided into four broad categories mentioned below:
 - a) Purchase of material for sale through showrooms
 - b) Purchase of material for supply of various Govt./Semi Govt. and Cooperative institutions.
 - c) Purchase for supply of material through ACASH, New Delhi.
 - d) Purchase of material for display in National and international fairs/expositions/exhibitions, buyer/seller meets.

The following is detailed procedure to be adopted for purchase

and supply to the organizations mentioned above.

4.1 **Purchase and supply through showrooms:** The main activity of Weavco is to procure the material from member societies and sell the products through its own showrooms. At present Weavco is having 24 showrooms situated within and outside the State. The sale of material through showrooms is of paramount importance to Weavco as majority of work force of Weavco is engaged in the activity relating to sale through showrooms and major portion of income is also from the sale through the showrooms. The sale through showrooms during the year ending 31-3-2000 was to the tune of Rs. 201.13 lacs and the same for the year ending 31.3.2001 was Rs. 299.60 lacs. The target for the sale of material through showrooms for the year ending 31.3.2002 has been fixed at Rs. 6.00 crores. With a view to achieve this target it is necessary to evolve a Sale and Purchase Policy which is not only transparent but also flexible and economical. The following procedure is sought to be adopted:-

- a) **Procedure of assessing the demand of material/ indenting:-** The demand from every showroom shall be collected seasonally/monthly basis which shall be based on the actual performance of the sale of material during last three years. Samples of various items shall be displayed in the Monthly meeting before the incharges of showrooms so as to allow the liberty to see the material and assess demand depending upon the acceptability of the material in the market. The tentative purchase rate and sale rate of the material so displayed shall also to be indicated on the samples. The showroom incharges shall give in writing regarding the demand of the material during the next three months. The showroom incharges will also to be at liberty to indicate approximate

sale price of the material. Incharge of showroom shall also be at liberty to send the indents from showroom in writing as and when there is demand from the particular quarter for the purchase of material. The demand from showroom incharge shall be compiled at head office level keeping in view the performance during the last years.

- b) **The Purchase Committee:** After the demand of showroom is compiled or there is particular demand from the particular showroom regarding purchase of material, the same shall be placed before the Purchase Committee by Assistant Manager (Purchase)/ Procurement Officer. The Purchase Committee shall ensure that only that material is purchased for which written demand is received from showrooms. The Committee shall never purchase any material the demand for which has not been received from the showrooms. If at all some new material is required to be sent to showrooms then only sample of such material shall be procured and supplied to showrooms so that its demand could be assessed/ascertained at the level of showroom to enable Weavco to make future purchases/supplies.
- c) **Procedure for Purchase of Material :-**
- i) The Purchase committee shall purchase only those items and of such qualities the demand for which has been received from showrooms in writing. Every decision on demand by Purchase committee shall be reduced to writing.
 - ii) The quality and the quantity of the items indented is to be ensured by Purchase committee. The Purchase committee shall also ensure that the prices of the material purchased should be competitive and it shall also ensure that the sale price of the material after adding atleast 15% margin of Weavco is not higher than the market price.

- iii) The Purchase committee will follow the proper procedure while making the purchases i.e. calling of quotations/tenders/ technical costing of product etc. The committee shall also survey the market for the purpose of purchase. In case the items are offered on consignment, outright purchases shall be avoided. However, it will be the duty of the Purchase committee to get stocks either on consignment basis or on outright purchase basis. The more economical system should be adopted by the Purchase Committee. Reasons for outright purchase or consignment shall be reduced to writing by the Purchase committee.
- iv) The Managing Director will get random checking of the material with regard to purchase price and quality conducted by the other officers as and when desired. These officers will not be the members of the Purchase committee. It shall help to evolve the system of checks and balances for the purchase of various items.
- v) The Purchase committee will see if the products for which demand has been received can be manufactured by the Weavco's own Production Centre at economical cost, then the order for manufacturing such products shall be placed on Processing/Production Centres. The cost price of the products manufactured at the Production Centres should be equal to the cost of the same products in the market. Weavco will add the same margin of profit as in case of other member societies' products.
- vi) In case the rates offered by the member cooperative societies are higher than the prices in the open market the Purchase committee shall ask the society to give break up of cost of inputs and ask other member societies if they can supply the material at cheaper rates.

- vii) In case some material, the demand of which has been received from showrooms can not be got manufactured from the member societies and is to be purchased from the open market then the same shall be purchased from the source itself or if it is not possible to purchase it from the source then it shall be purchased from its main authorized dealers of the company in Punjab/Chandigarh. The designs/products which are not manufactured in Punjab State or by the Handloom weavers' societies of the Punjab State but there is a demand of such varieties, these can be purchased from open market from other States but it shall be ensured that the purchase rates are very competitive and the material is purchased either from the source or its authorized dealer/agent.

5. **Purchase for supply of material through various Institutions :-**

Weavco is supplying handloom and other textile material to various Government departments, Semi- Govt. and Cooperative Institutions. Thus, purchase/supply of material to these institutions shall be in the following manner:-

- 5.1 Sometime orders for purchase of material from different Govt. departments or institutions are procured by weaver societies directly and are further sent to Weavco for supply of material. In such case, the material is invariably supplied by the society, which has procured the order and therefore, Weavco will act as only Billing agency. In such cases no finance from Weavco is involved. However, the quality and quantity supplied by society is to be invariably ensured by Weavco, therefore, in such cases, Weavco shall charge atleast 7.5% margin. In other cases the Deptt. of Govt. or institutions are placing orders directly to Weavco for supply of certain goods. In such cases, the purchases shall be made by the Purchase committee

preferably from the societies but if such items are either not manufactured by member societies or their rates are higher than the rates prevalent in the market then the Purchase committee shall purchase these items from private parties but it shall ensure that these purchases are made from sources/manufacturer or their authorized agent/dealers. It shall also ensure that no trader except the authorized dealer will be allowed to supply the material either to Weavco or to others through Weavco. In such supplies, Weavco shall charge atleast 10% margin because the finances of Weavco are involved.

5.2 Sometime some of Govt. departments or institutions place order on Weavco for supply of a particular brand of textile material. In such case, Weavco shall procure the material either from the manufacturer itself or from its authorized dealers only. Since in such case a limited choice of purchases is involved and very limited time frame is given by buyer institution for the supply of material, therefore, such material shall be procured by the Committee consisting of officers of Weavco under the over-all supervision of Mananging Director,even of the value is more than Rs. 1.00 Lac.

6. **Supply of material through ACASH:-** ACASH is created by Govt. of India for the purpose of purchases of handloom products under single tender system (STS). ACASH has been declared a Nodel Agency by Ministry of Textiles for the purchase/supply of handloom products to Defence, Railways, Paramilitary forces and other Central Govt. Departments/Organisations. Weavco is a member of ACASH and supply major portion of barrack blankets and other material to ACASH. The prices of material to be supplied through ACASH is fixed at the level of ACASH in consultaion with various departments and the Central Govt. Accordingly the rates and specifications of the material are

laid down by ministry of Textiles. The material supplied passes through various inspections from the different ministries to ensure the quality. In such cases maintenance of quality and least rate of rejection of material is of paramount importance. Very few societies in Punjab are capable of manufacturing and maintaining higher standard of quality for such material to be supplied through ACASH. Therefore, MD shall be responsible for ensuring the quality and quantity of supply of material to ACASH. Accordingly he (M.D.) shall be authorized to place order on those societies which have composite units installed in their premises and are realy capable of making the supplies.

However, it shall be ensured that the Purchase from such societies for supply to ACASH are made with the condition that payment shall be released to such societies after receipt of payment from the ACASH. Since the bulk material is supplied by societies to the indenting agency directly as such Weavco shall charge same commission on such supplies as is fixed by ACASH.

d) **Products for National/International events :-** Weavco participates in various State, National and International display expositions for the purpose of increasing sale. The Managing Director is authorized to take decision in this regard. The material in these display expositions is required to be of highest quality. Therefore, such material shall be purchased at the level of Managing director. However, after the orders are received on the basis of such expositions, the purchase shall be made by the Purchase committee but Purchase committee shall be responsible for ensuring the quality of the material.

7. **Policy regarding purchase of raw material for Shoddy Spinning Plant and sale of Yarn and goods produced by Weavco Production Centre and Process House, ██████████:-**

7.1 Purchase of raw material for Shoddy Spinning Plant shall be made by Purchase Committee which shall consist of the following Officers:-

- i) Chief Executive Officer of Shoddy Spinning Plant.
- ii) Three Officers from head office to be nominated by Managing Director.
- iii) Shift Incharge of Shoddy Spinning Plant at Humbran.

The demand for the purchase of raw material shall be assessed by Chief Executive Officer in consultation with Shift Incharge. The demand shall be submitted to Managing Director in writing. He shall also mention the country of origin of the raw material and the quality of the raw material required.

7.2 **Purchases :-** Purchase of shoddy raw material shall be made by the following methods:-

- a) by conducting survey of the market where the raw material for Shoddy Spinning Plant is available in bulk. Normally the raw material in the bulk supply is available in the market at Panipat.
- b) since whole of the shoddy material is imported from the countries of Europe and America, therefore, efforts shall be made by Weavco to directly import the raw material from country of origin. If it is found difficult to import the raw material then the efforts shall be made to take the raw material from the bulk handling agents at the ports of Mumbai and Kandala etc.
- c) The strength material for the plant shall be purchased by the same committee preferably from the source itself in India. Before the purchase of raw material, the Chief Executive Officer of Humbran Plant in consultation with the Shift

Incharge shall give indent in writing not only about the quantity of material but also the quality of material to be purchased.

8. **Sale of Yarn :-** The Committee for the sale of yarn shall be same as the Committee of the Purchase of raw material for the Plant. The committee for the sale of yarn shall meet at least once in a month and call for rate of sale of yarn from the private parties depending upon prevalent market rate. The committee shall decide to sell the yarn and also decide the terms & conditions of the sale of yarn. The committee shall ensure that yarn is sold in a most transparent manner and at maximum rates which are available in the market.

