

VENDOR DEVELOPMENT POLICY (VERSION-0.0-09/20)

1.0 Preface

Reasons for Vendor Development

- 1.1 RCF is procuring various items on the basis of Railway's own Drawings/ Specifications. These items are not available off the shelf in the market and to be manufactured against the custom orders placed by RCF. Vendors need to develop product specific Processes, Tooling, M&P, Testing facilities, Quality Control equipment, raw material sources etc. which are generally not readily available with them, so as to meet RCF's production requirements in time bound manner. During the course of development of a new Product, firm may also sometimes need Technical Inputs from RCF, require actual fitment in Coaches/ field trial etc.
- 1.2 Process of Vendor Development is a win-win situation for RCF and the Vendors. RCF can not bank upon an unproven source for Bulk Supplies, to ensure smooth Production. Similarly, vendor should be allowed sufficient time to arrange necessary wherewithal or tie ups as per relevant Specifications/STRs for developing the item.
- 1.3 Vendor Development process ensures a methodology to induct new sources, having requisite Capacity, Capability, Competency and Consistency to create a sustainable symbiotic supply chain to ensure timely and quality supply of products and services.
- 1.4 The aim of this policy is to provide fair and equal opportunity for all capable manufacturers, in a transparent manner for participation in Public Procurement Process, to bring in quality and cost competitiveness..

2.0 Important factors linked to Developmental Orders or Vendor Development Process :

- 2.1 Who should be considered for Developmental order?
- 2.2 Quantity on Developmental Order.
- 2.3 Number of firms on whom Developmental order should be placed in the tender.
- 2.4 Mechanism of Development Process and monitoring Performance
- 2.5 Post Contract handling of Developmental Orders
- 2.6 Procedure for inclusion of a new vendor in approved Vendor Directory or External Provider Directory (EPD) in case of items borne on approved list.

3.0 Who should be considered for developmental order?

3.1 A developmental order can be placed by RCF in the following ways:

3.1.1 A vendor will participate in the tender subject to availability of requisite infrastructure and Capability cum Capacity Assessment (CCA) as per relevant Drawing/Specification/STRs and meeting the tender conditions stipulated for placement of a Developmental Order.

3.1.2 After scrutiny of the offer, Capability cum Capacity Assessment (CCA) as per the relevant Specification/STR will be carried out (i.e. either Online or Offline) by deputing an Authorized Representative of RCF or Authorized Agency to firm's works or through remote Video Verification. Any false declaration is likely to be treated as fraud. In case of simple items for which no specific details of Processes/M&P/ Testing Equipment etc. is mentioned in Drawing/Spec/STR no physical verification will be required.

Note: The charges for assessment by any Authorized third party agency shall be borne by the vendor.

3.1.3 CCA may be dispensed with if firm is registered at RCF for the same item or Group of items which have been successfully assessed as per applicable STR.

(**Note:** Normally, once a Technical Team goes for CCA of a firm, overall M&P & Testing facilities & QAP etc. verification should be done and not specific to item under procurement, to avoid any need for carrying out repeated CCA)

3.1.4 Developmental order will be placed after receipt of Security Deposit (SD), wherever applicable as per Railway Board's Guidelines.

3.1.5 In case of source approving authority is RDSO , Developmental Order can be placed only after due Capacity cum Capability assessment of Vendor as per relevant Specification/STRs by RDSO.

3.2 By participating in a Special Developmental Tender of RCF for Limited Quantity.

3.3 Suo moto Design, Development & Supply of First Article with minimum developmental quantity at Vendor's own cost after requesting a CCA and obtaining approval **from the**

Competent Authority for those items where less than three vendors exists. The vendor will have to arrange fitment/removal/modification of developmental item and to associate during testing and commissioning at RCF or in Zonal Railways as applicable, of such developed item as per RCF's advice at Vendor's cost. However necessary assistance will be provided by RCF/Zonal Railways in this regard.

Note: Developmental order in cases mentioned under Para 3.2 & 3.3 above will be placed in special circumstances **where new item is to be introduced or number of sources are less.** This document deals with the cases mentioned under Para 3.1 above for Railway Specific items which are being procured as per Railways Drawing/Specifications/STRs.

Kindly also see para on development process.

4.0 Consideration of Quantity on Developmental Order:

Quantity on developmental order would normally be optimum considering the factors that firm should be able to procure sufficient quantity of raw material and distribute initial fixed costs besides quality performance of its product is known with reasonable certainty. In addition, the factors like blocking of developmental quantity beyond Production Plan Cycle due to longer development period, coupled with risk of failure, will also be the determinants for quantity consideration on developmental order. Following general guidelines regarding Quantity on Developmental Order are proposed-

- 4.1 Quantity on any single developmental order would normally be minimum **5%** of the of Net Procurable Quantity (NPQ) unless lower quantity is required to be tried in the field due to Criticality of application /Safety issues.
- 4.2 Quantity on a Single developmental order shall not exceed the lowest quantity regular order.
- 4.3 Maximum quantity on developmental orders placed on the vendor shall not exceed 20% of Net Procurable Quantity (NPQ) as per Railway Board guidelines.

5.0 Number of firms for Developmental Order :

Number of firms to be considered for Developmental Order shall be dependent on the number of Regular prospective suppliers of the tendered item. Overall base of Past successful suppliers of tendered items /approved sources/ sources found eligible for regular order in the tender, will determine the number of prospective regular suppliers. If there is large Vendor Base then the consideration for developmental order will be to provide opportunity to a Competent Source in public procurement while in case of small vendor base, objective will be to develop more number of suppliers for better competition and seamless supplies. Accordingly, following general guidelines regarding number of developmental orders in a tender are proposed. In case number of prospective regular source of tender item is :

5.1 More than Eight then number of developmental orders should normally be limited to one only.

5.2 Eight or less, then number of developmental orders may be considered based on the response and merit of the received Offers in the tender.

(In case of deviation from above guidelines, reasons should be recorded by Tender Committee/TAA)

6.0 Developmental Process

6.1 Interaction with Vendors during development process against developmental orders, will be done through single window Prototyping Cell , as displayed on RCF's website.

6.2 While sending a request to RCF's Prototyping Cell for Capacity cum Capability assessment (CCA), the Suppliers will be required to submit QAP and Process Flow Chart including the details of M&P, Testing equipment , Quality Control equipments and QAP etc. proposed to be used at different stages of production. The details given by firm should be in conformity with the requirement mentioned in relevant Drawing/Spec/STR. If the details/Documents etc. submitted by the firm as per relevant Drawing/Spec/STR is found satisfactory, the verification of firm's available facilities will be done either Online or Offline i.e. either by deputing an Authorized Representative of RCF or **Authorized Agency** to firm's works or remote video

verification, else firm will be suitably advised of the reason, for not considering it capable. Any false declaration is likely to be treated as fraud attracting punitive action by RCF, as applicable.

Note: The charges for third party assessment shall be borne by the firm.

- 6.3 All first-time supplies from a Vendor against developmental order shall be subjected to First Article Inspection (FAI). In deserving cases, FAI waiver will be considered by the Competent Authority (PCME/PCEE) on the basis of written request by concerned vendor along with supply of requisite documents as per relevant Drawing/Specification/STRs.

Note: In case of Third party agency conducting FAI, the charges for the same shall be borne by the vendor.

- 6.4 Vendor shall submit the First Article for inspection normally within a period of 06 (six) months but not exceeding more than 09 (Nine) months from the date of placement of PO, in any case. Period for submission of First article, will also be essence of the contract and same will be so stated in the Contract, so that whole contract can be cancelled if firm fails to submit First Article within the specified period. FAI final clearance by RCF, shall be made available to the inspection agency, for balance supply.
- 6.5 In-Process Audit to verify Critical Processes shall be carried out by RCF/Third party (approved by RCF) at firm premises (i.e. either through Online Verification Process or Physical verification by the nominated RCF Official or Authorized Agency at firms premises). Vendor shall be well informed in advance about in-process audit during manufacturing stages, as defined in the Specification/STRs/QAP.
- 6.6 In-process Audit may be waived by **PCME/PCEE against the firm's request received**, if same process is being used for any other Critical Items being supplied by the firm to RCF/ICF/MCF. All communication in this regard shall be addressed to **SINGLE WINDOW PROTOTYPING CELL**, by the Vendor, within Original/Extended DP. Copies of all correspondence related to FAI shall also be marked to Purchase Office for contractual purpose.
- 6.7 Normally approval or disapproval of First Article accompanied by FAI report shall be communicated within **30 days** from the date of submission of First Article and the FAI report at RCF. Additional time may be taken for compliance of any other tests is required as per the Specification.

7.0 Post Contract handling of Developmental Orders :

There is a need to regularly monitor the execution of Developmental Orders to expedite the development process for serious Vendors but at the same time, weed out the non-serious vendors. Following Steps shall be adopted:-

7.1 Overall DP extension of contract shall not be more than one year. For any exceptional cases, the approval at the level of PHOD (*PCMM in consultation with PCME/PCEE*) shall be taken, showing the progress in development process as per relevant Drawings/Specification/STRs.

7.2 Developmental Order should be cancelled if **FAI** is not completed within the period mentioned in Para- 6.4 above.

7.3 Prototyping Cell shall maintain developmental order wise all records required for review of product performance during the field trial period.

7.4 If Firm fails to execute the developmental order quantity, No further development order for the same item shall be placed again on a firm, for a minimum period of “ONE YEAR”, from the date of cancellation of previous Purchase Order.

7.5 Vendor shall be considered for repeat developmental order, only on meeting following conditions :-

7.5.1 The firm has a FAI concluded successfully and approved by RCF.

7.5.2 The firm has a valid contract against previous pending developmental purchase order of the tendered item, as on the date of tender opening.

(Note : Pending field trials will not be a bar on repeat developmental order)

8.0 Procedure for inclusion of a new vendor in approved Vendor Directory or External Provider Directory (EPD) in case of items borne on approved list :

8.1 Following criteria shall be adopted for inclusion of a new source to approved Vendor Directory (External Provider Directory (EPD)) of RCF:

8.1.1 The vendor should have completed at least one developmental order of RCF, successfully. and

8.1.2 Firm must have successfully supplied minimum specified cumulative quantity of respective item (as mentioned in Vendor Directory), to ICF/MCF/RCF, within the period constituting current financial year and during the last consecutive three financial years.

Note- i) 'Minimum specified cumulative quantity of respective item' means a minimum quantity required for 50 Coach Sets.

ii) Date of R-Note issued by Stores shall be counted as the date of supply for this purpose. Successful supply will also mean successful field performance as mentioned in para 8.3 below.

iii) Successful execution /successful supply against developmental PO means completion of PO with supply within +/- 5 % of the ordered quantity

8.2 In case of a Vendor, who has been deleted from the approved list by RCF, no bulk order will be placed on that vendor (i.e. vendor will be not be included again in approved vendor list) till he completes successful supply of minimum 50 coach sets against one or more developmental/regular order of RCF/ICF/MCF, issued after the date of deletion. Separate provision will apply in case of blacklisting or banning of business, on unethical grounds.

8.3 Field performance of a developmental supplier will be watched for a period of 15 months from the date of supply of material/12 months from the coach turn out date from RCF whichever is earlier. Performance period as specified in the relevant Specifications/ Drawing for the item will override the condition of abovementioned period 15/12 months. Field performance will be watched through failures reported by

user Railways on RCF Customer Feed Back Portal, directly reported to RCF or any other means.

8.4 RCF may waive off the performance period, as mentioned in para 8.3, with the approval of Competent Authority (i.e. PCME/PCEE RCF) under special circumstances ONLY.

8.5 An unapproved vendor will be considered for inclusion in approved list on his request made with documentary evidence after the successful compliance of conditions for inclusion in vendor list. His request will be processed during periodic review done by RCF as per procedure ISP-04.

8.6 Notwithstanding any provisions contained in this policy, RCF, without prejudice shall be free to accord approved status to any new source directly, for the reasons to be recorded, with the approval of competent authority.

9.0 Notes on First Article Inspection (FAI)

RCF is an IRIS certified manufacturing organization. In order to deliver consistent quality to the customers, strict compliance of the IRIS norms are required. FAI shall be mandatory under the following conditions.

- i.** First production run
- ii.** Major change in design
- iii.** Lapse of 3 or more years since the last manufacturing run for the product.

Need of FAI will be stated in the contract itself.

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