



SUPPLY CHAIN MANAGEMENT

Supply chain management at ARL is the management of supply chain activities to maximize customer value and achieve a sustainable competitive advantage. Supply chain activities starts from sourcing of raw materials, product manufacturing, operation, logistics & services as well as the information systems needed to coordinate these activities. Our supply chain is “linked” through physical and information flows.

Physical Flows

Physical flows involve the transformation, movement, and storage of goods and materials. It is the visible part of our supply chain.

Information Flows

Information flows allow ARL various supply chain partners to coordinate their long-term plans, and to control the day-to-day flow of goods and materials up and down the supply chain. We put every effort to produce environment friendly petroleum products whilst also taking end users health & safety into consideration.

ARL consistently strive to meet the requirements of its customers by creating mutual trust and seeking customer's satisfaction, from the product's entry onto the market all the way through till the end of its use. Suppliers are strategic partners who support our success and contribute towards our performance. Our supplier relationship goes beyond the pure commercial aspect of business and includes a component of mutual understanding which results to promote good ethical, responsible practices and sustainable business. ARL is engaged with its suppliers to maintain an efficient supply chain; regarding products and services required for operation & serve customers in a better way. We maintain a complex inflow of materials, equipment, technical and logistic support systems. Typical partners of our supply chain are: suppliers of raw material (mainly crude oil, chemicals), suppliers of utilities, industrial equipment and materials, instruments, IT equipment and other allied support services including manpower & maintenance contract services.

The principal parameter for ARL sustainable business is the uninterrupted and continuous supplies of crude oil, which is being ensured with the support and coordination of our suppliers. The crude oil is supplied 40% through bowsers and 60% through pipeline. While the products are supplied to the customers through multi product pipeline (approximately 80% of the products are being dispatched through pipeline). All suppliers (excluding crude oil suppliers) are thoroughly assessed for performance and credibility prior to enlisting them for providing quotation for any services and/or material supplies. ARL ensures the uninterrupted procurement by following the below criteria while selection /registration of the suppliers.

Suppliers Assessment Process

Foreign suppliers

Foreign suppliers have to testify their credibility, fulfilment of legal requirements, accountable associations and performance by providing the following documents:

- Memorandum Article of Associates
- List of products dealing / dealt with (Copies of Letters of Credit/ Purchase Orders and Bill of Entries to be provided)
- Details of Experience of the firm for last 5 years, work in hand with estimated cost and certificate.
- Type of Business (with proofs):
 - Manufacturer
 - Stock Market



Local suppliers

- Local suppliers have to satisfy below mentioned requirements before start of business:
- Copy of National Income Tax Registration
- Certificate and Tax paid in the last 3 years
- Sales Tax Registration number
- Type of Firm / Supplier / Organization (Memorandum Article of Associates)
- List of products dealing / dealt with (Copies of Purchase orders to be attached)
- Details of Experience of the firm for last 5 years, work in hand with estimated cost and certificate.
- Undertaking on Rs. 50/- stamp paper that firm is not blacklisted by any company and/or entered into litigation.
- Bank certificate and financial / bank statement for last one year.

Following documents also to be provided in case Firm is Indenter (Local Agent of Foreign Principal):

- Authority Letter from Principal
- Copies of previous Letters of Credit, Purchase Orders and Bill of Entries.

Contractor Selection Criteria

Civil, Mechanical, Electrical & Instrumentation contractors are short-listed through contract section:

1. Pre-Qualification of all contractors.
2. Preparation of ITB documents, bids evaluation and finalization of contracts.
3. Preparation of standard rates applicable to work order issued inside ARL.

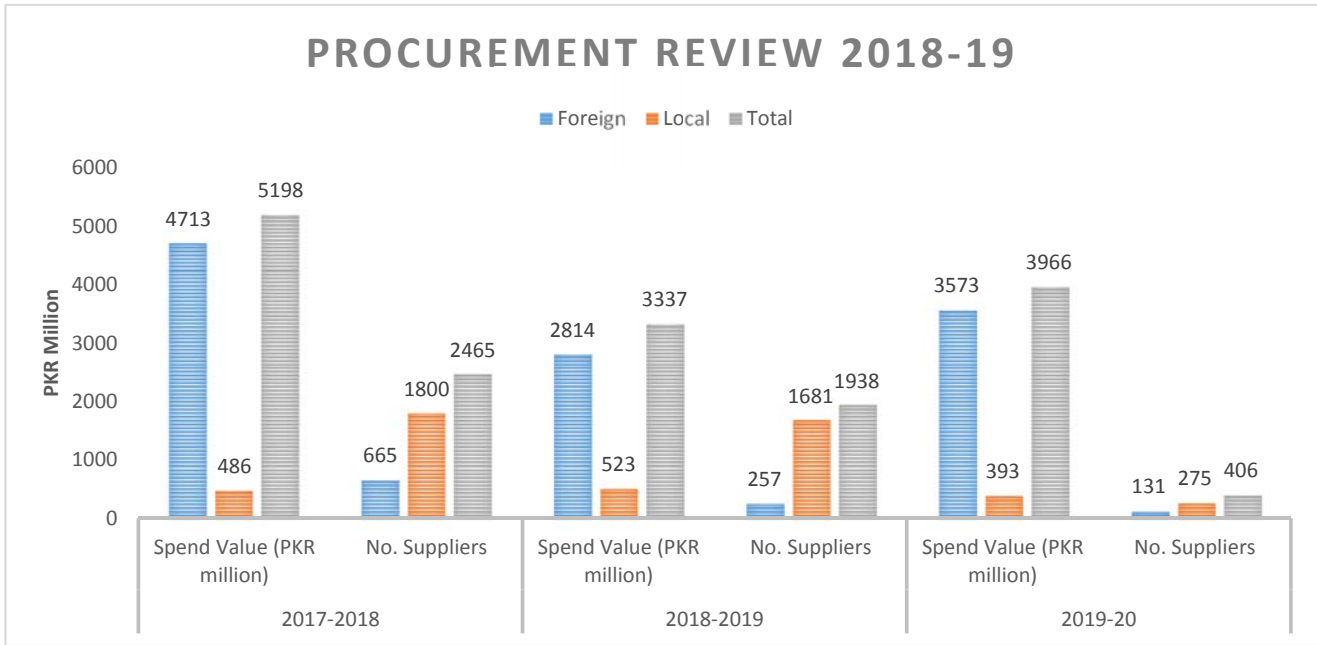
The performance of all contractors are evaluated periodically after a defined period of time.

Opportunities for Local Suppliers

ARL procures all products/equipment which are environment friendly & energy efficient wherever possible from local suppliers. Furthermore, ARL encourages and provides support to Local Industry by purchasing first locally manufactured materials if it meets the requirements. All the purchases that are procured from within the country are made on the basis of five important factors that are:

1. Supplier Repute/Standing
2. Quality (Specification)
3. Quantity
4. Delivery (Time & Location)
5. Price

These are listed depending upon the preferences, as Supplier is a significant factor for the reason, his reputation & quality of purchases affects the company's repute. Quality is also the most important parameter and cannot be compromised. After that the time taken in delivering goods and their supplies location plays an important role in making purchases. Our total procurement from local suppliers for year 2019-20 is Rs. 393 million, while the total procurement expenditures are Rs. 3966 million. The registered local suppliers are 275 in Year 2019-20. The %age local share of procurement for the reporting year is 10%. There is a decrease in total number of suppliers as compared to previous year from 1938 to 406 due to COVID-19 and halted operations.



Procurement Process Review

Procurement process is under continuous review by Business Review & Assurance Department (BR&A) at various levels for the purpose of maintaining integrity and transparency. These reviews are carried out in the following manner:

Sealed quotations of all purchases, above Rs.50000 are opened in the presence of representative of BR&A department. This is done to ensure confidentiality of quoted rates. Every item over and above Rs. 1 million is recommended for purchase by Bid Evaluation Committees which comprise of members from different departments including a member from BR&A department.

- BR&A representative also witnesses public opening of quotations which are carried out for major projects in the presence of bidders.
- Detailed review of purchase cycle is also carried out after a certain interval in which purchase controls are checked for compliance and design improvements.

Apart from the above, all (100%) new and existing suppliers are screened using labor practices, environmental & social criteria. It is not the only criteria for assessment.

