

INTERNSHIP REPORT ON UDC CONSTRUCTION LIMITED



Construction Ltd



**TOPIC: HOW UDC CONSTRUCTION LIMITED PERFORMS ITS SUPPLY
CHAIN ACTIVITIES AT THE SUPPLIERS' END**



Submitted to

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LETTER OF TRANSMITTALS

08 May, 2019

Dr. Mamun Habib
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Subject: Submission of Internship Report

Dear Sir,

It is an immense pleasure for me to submit my internship report entitled “How UDC performs its supply chain activities at the suppliers’ end”. As the requirement of the completion of the BBA program I have completed my 12 weeks of internship at UDC Construction Limited and prepared the report under your supervision.

I tried to incorporate and relate the theoretical knowledge with the practical one that I gathered from UDC that serves the purpose in the best way. I expect that the report will be convenient to you.

Sincerely

Md. Shafkatul Alam

ID- 15104139

LETTER OF ENDORSEMENT

The internship report entitled “How UDC Construction Limited performs its supply chain activities at the suppliers’ end” has been submitted to the Supervisor Faculty, Professor Dr. Mamun Habib, as the last lap for the completion of the degree of Bachelor of Business Administration, Major in Operations and Supply Chain Management, BRAC Business School on May, 2019 by Md. Shafkatul Alam, ID- 15104139.

The report has been accepted and will be presented to the internship Defense Committee for evaluation.

(Any opinions, suggestions made in this report are entirely that of the author of the report. The University does not condone nor reject any of these opinions or suggestions).

Professor Dr. Mamun Habib

Internship Supervisor

ACKNOWLEDGEMENT

At first, I would express my gratitude to Almighty for giving me the opportunity, strength and the ability to prepare the report. More precisely, I am thankful and acknowledge the assistance of my internship supervisor Professor Dr. Mamun Habib for his constant support and guidelines. To add, without his proper direction the completion of the report might not be possible.

To include further, I am also very grateful to my external supervisor Mr. Md. Rafiqul Bari, Executive Director of UDC Construction Limited. I was overwhelmed with his continuous support and direction which is beyond expression. Besides, the other employees and staffs were also very co-operative.

Last but not the least, my heartiest gratification to all my family members and friends who supported me in preparing this report. I am also very grateful for those who helped me even minutely.

EXECUTIVE SUMMARY

This report remarks the experience that I gathered in my internship period at UDC Construction Limited. The report summarizes the work I was assigned to and also the supply chain activities performed by UDC Construction Limited at the suppliers' end. I had the opportunity of knowing how the tender system works at UDC, approach of UDC on factors of selecting the suppliers, which way the incoterms are used, what are the disruptions that UDC faces in selecting the right suppliers, risks involve in dealing with the foreign suppliers, the negotiation method followed by UDC. To add, how UDC maintains good relationship with the suppliers. This internship opportunity enabled me to understand the day to day activities to deal the suppliers and the importance of making better as well as long lasting relationship with the suppliers. Throughout my internship here at UDC I gained knowledge on how to make a win-win negotiation to both the ends. I was directly involved in the supply chain department of this organization. I also went through some important papers and documents to state purchase order, purchase requisition, SOP etc. for my knowledge development provided by my supervisor at UDC. I also had the opportunity to have a look on the functionality of the Finance department of this organization to relate it with the supply chain management functionalities. At the end of my internship period I was instructed to give some recommendations for making partial contributions to this organization.

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CHAPTER 1: ORGANIZATIONAL OVERVIEW:

UDC is a professional company based on design and building but that is not it always does. It moves with the following motives. To include these are Always dedicated and devoted, building the past, restoring the future, committed to superior quality and results, developing our people, growing our business, engineering your dreams with us, building it better in concrete, construction you can count on, diversified services and unvarying quality.

UDC does the following activities which are very promising and reliable for its clients.

UDC listens because understanding its client's needs is its top priority.

UDC challenges because it is the job of UDC to find solutions to its clients' toughest construction problems.

UDC pushes boundaries because it ensures the very best outcome for its clients all the time.

Since the establishment in 2002 as an engineering and construction company in Bangladesh, UDC has continued to pursue the predefined aim and seek refinement to its ways. It started the construction; thereafter it has been expanding the business activities especially in engineering and manufacturing fields. UDC does not only do good business in Bangladesh but also in Asian countries. The objective of the company is to achieve excellence through people empowerment, embracing high technologies and providing a comprehensive suite of services for its clients. Not only that, the organization is there for business excellence by offering total commitment through quality and close client relationship.

UDC a construction company is a professional construction company. It pushes the boundaries for excellence and innovation in the construction industry of Bangladesh. Operating nationwide since 2002 the company carried out projects all over Bangladesh. It built an impressive track record by providing specialist design and construction services to a range of industries throughout the country. It believes that repeat business is a measure of its

overall success. Its customers return over and over again because they know that the company is trustworthy, reliable and will deliver them an exceptional result on time, on budget and to the desired standard.

1.1 Meeting the team of the company:

The team knows for the success of any project it depends on the attitude, experience and capabilities of the team assigned to it. The people of the UDC are talented and committed individuals who have the skills experience to do their jobs well. The management team is comprised of highly respected and qualified professionals with construction industry experience from around the globe. The clients can count on their targeted customers for the world class reputation that the company provides.

1.2 Skills the company belongs:

At UDC challenge is considered as an opportunity. The reason is that the clients rely and expect from the company for the best possible solution for their building requirements. Not only that, it is a company of forward thinkers who are passionate about applying their creativity and innovation to all of its projects. By combining the significant industry experience with an unrelenting commitment to quality, innovation and added value, its clients are always assured of the very best outcome.

One of the greatest positive aspects of the company is the existence of collaborative culture which includes all the members in the project team. It also has the culture of attention to detail, learning from the experience and the commitment to excellence in everything that it does.

1.3 Turnover the company generated over the years:

In 2014 – 2015 the annual turnover amount is TK. 873,288,208.00. In 2013 – 2014 the annual turnover amount is TK. 702,291,590. In 2012 – 2013 the annual turnover amount is TK. 603,342,100. In 2011 – 2012 the annual turnover amount is TK. 552,565,320. In 2010 -2011 the annual turnover amount is TK. 443,301,445.

1.4 Projects the company has undertaken:

The company believes that it has built an enviable reputation for successfully delivering projects across a range of industry sectors.

From large scale retail and high-rise accommodation, to cold stores and warehousing, UDC Construction Ltd has the best people, processes and resources to successfully deliver the clients projects.

The company believes that repeat business from its clients serves as testimony to their satisfaction since the previous job was done well.

Below is the inclusion of some mega projects by the UDC Construction. For example, Traffic management at Banani, SKS Project, Kanchan Bridge, Paksey, Rupsa Bridge, Moghbazar–Mouchak (combined) Flyover.

1.5 The services that UDC provides to its clients:

General Contracting: The general contracting includes the following things.

- ❖ Superior quality and craftsmanship
- ❖ On time and on budget

- ❖ Reputable owners and subcontractors
- ❖ Minority and women's inclusion.

Construction Management: The construction management includes the following things.

- ❖ Strong owner/ contractor relationship
- ❖ Expedited Schedules
- ❖ Lowered Costs
- ❖ Reduced change requests.

Design Assist: The design assist function involves the following things.

- ❖ Concept of execution of partnership
- ❖ Superior team collaboration
- ❖ Minimize risk throughout the project
- ❖ Shortened project schedule.

Consulting: The consulting function involves the following things.

- ❖ Provide onsite owners representation
- ❖ Program management consulting and development
- ❖ Improved diversity participation and community outreach
- ❖ Pre – construction service.

1.6 The clients of the company:

UDC Construction has a wide range of reputation and long-term commitment to serve its clients. To deal with its clients the company follows a very straightforward and involving

message which is **engineering your dreams with us**. The company has a lot of reputed clients whom it serves with proper care and attention. The listed clients whom the company served and keeps on serving is stated below.

- ❖ Roads and Highway Department under The People's Republic of Bangladesh
- ❖ Bangladesh Army
- ❖ BRTA; Bangladesh Road Transport Authority
- ❖ Dhaka City Corporation
- ❖ Rahim Textile Mills Limited
- ❖ LGED; Local Government Engineering Department
- ❖ Dhaka Power Distribution Company Limited
- ❖ WASA; Water and Sewer Authority.

CHAPTER 2: PROJECT PART

2.1 Introduction

Internships are opportunity for the potential employees to enter into the real business world. It is also an immense scope for them to enhance and apply the theoretical knowledge learnt in the class lectures in the practical field. It paves the way for them to get acquainted with the qualified professionals of the highly competitive corporate arena. The main purposes of the internship program and this study is to get up to date with the practical business practices, correlating the academic studies with the real business environment, gain knowledge about how the business professionals work.

2.2 Objective

Fundamentally the report has been prepared for the completion of the program under the Supervisor Faculty Associate Professor Dr. Mamun Habib. To add, the objective of this report is to provide a transparent briefing about my internship period at UDC Construction Limited and how UDC performs its supply chain activities at the supplier's end.

2.3 Scope of the report

Since, the duration of the internship period is only 12 weeks, by this time it is very hard to incorporate all the ins and outs of the organization here. To add further, the organization has a lot of confidential policy and issue of not sharing all sorts of information especially to the short time stayers.

2.4 Methodology

The study is conducted mostly through observing and taking notes of the conversation between my supervisor at UDC and with the suppliers who used come to meet him directly. I was highly and carefully observed by my supervisor regarding the data collection issues. Not

only that, I was also assigned to go through some theoretical terms and tools for the ease of relating it with the practical discussions.

2.5 Limitation

Due to the privacy issue and confidentiality of the organization a major portion of the information is not included here. I could hardly work with the other departments rather I only focused only onto the Supply Chain Management department of this organization.

CHAPTER 3: LITERATURE REVIEW:

The different methods and criteria that can be used to evaluate suppliers' offers are based on lowest price, lowest total cost of ownership, weighted scoring models and value judgement. There are many ways of obtaining and selecting suppliers' offers. Some of them could be the value of the contract, the degree of the supply risk, the need to minimize administrative costs, to process accountability and ethics and lastly the need to develop good business relationships with the suppliers. (Module 06)

Product and service specifications can vary in the degree to which they prescribe what is required. Highly perspective specifications give the suppliers a lot of detail on how to achieve what is required. Although, appropriate in certain circumstances, they may limit the ability of the suppliers to offer more cost- effective solutions and the buyer must bear the risk if the product or service does not perform as intended. (Module 02)

An organization's corporate culture will also influence its attitudes towards strategies and issues that are of specific concern to the purchasing and supply function. These may include the application of new supply chain technologies for example electronic commerce, the introduction of new purchasing techniques for example framework agreements and adopting collaborative approaches to negotiate with suppliers. (Module 01)

CHAPTER 4: ACTIVITIES UNDERTAKEN:

I was assigned at the Supply Chain Management department of UDC Construction Limited.

The activities that I performed are stated below.

- ❖ Preparing purchase order
- ❖ Observing how to communicate with the suppliers
- ❖ Going through the SOP of the organization
- ❖ Going through the process flow diagram of the organization
- ❖ Figuring out the role of the Finance department
- ❖ Communicating with the suppliers while coming with the samples

CHAPTER 5: PERFORMING SUPPLY CHAIN ACTIVITIES BY UDC:

5.1 Selection of suppliers:

Let the suppliers are A, B, C and D. Out of them UDC has to select the suitable one. Their information is given below for the selection.

SL	TEST NAME	SPECIFICATION	A	B	C	D
1	Physical size	9.5*4.5*2.75	9.5*4.5*2.75	9.5*4.5*2.75	9.5*4.5*2.75	9.5*4.5*2.75
2	AIV	30%	28%	32%	33%	35%
3	ACV	25%	24%	26%	28%	30%
	Pass/Fail	Pass	Pass	Fail	Fail	Fail

So, from the table above it is quite visible that UDC will select the supplier A because it is able to meet up all the criteria.

5.2 Tender system followed by UDC:

The tender system that UDC follows is in the quotation method not in the general procedure of tender system followed by the government agencies. According to my Supervisor at UDC the traditional tender procedures are run only in the government organizations not in the private organization. So, for the case of UDC this thing is valid.

5.3 Approach of UDC on factors of selecting suppliers:

At UDC there are two types of evaluation aspects or factors of suppliers' selection at UDC.

These are

- ❖ Technical
- ❖ Financial.

UDC approaches for the selection of the suppliers in both the aspects. Firstly, it goes for the technical aspect or factor. After meeting up the technical aspect it tries for the financial aspect. To mention further, after a certain period of time it deals simultaneously regarding the

selection of the suppliers. That means it is quite clear that the organization values both the aspects of selecting the suppliers.

UDC believes in choosing suppliers from all sorts of angles. It maintains strong ethical standard regarding the selection of its suppliers. One of the core characteristics of this organization is that it values highly to its suppliers. The management of this organization is very much concern about maintaining a long-lasting relationship to its suppliers and always ready to provide every possible supports to its suppliers.

To mention further, after a certain period of time it deals simultaneously regarding the selection of the suppliers. That means it is quite clear that the organization values both the aspects of selecting the suppliers. To add further, it emphasizes on the

- ❖ Past performance or records with the other clients
- ❖ Credit report
- ❖ Customers' opinion
- ❖ Overall performance
- ❖ Financial condition
- ❖ Most importantly from all sort of sources as best as possible.

UDC has to constantly negotiate with its small and large suppliers simultaneously from both home and foreign country. The experience of dealing with the local and foreign suppliers is totally contrast to each other.

UDC import few important elements for example Bitumen, Base ware etc. from the prominent countries outside Bangladesh for example Malaysia, Indonesia.

5.4 How UDC selects the right suppliers:

Selecting the right suppliers for any business needs is vital. By doing that a business is able to deliver the products and services on time, at the right price and in compliance with the quality standards. UDC by implementing specific suppliers' selection criteria, it is possible to identify companies that will work to meet the demand of the customers based on

- ❖ cost
- ❖ quality and safety

- ❖ delivery
- ❖ service
- ❖ social responsibility
- ❖ convenience or simplicity
- ❖ risk
- ❖ agility (ability to move quickly and easily).

For the selection of the supplier market UDC has to study a lot. For example, for the supply of the Crane from any supplier the organization needs to look onto several factors which are

- ❖ Price
- ❖ Quality
- ❖ Performance
- ❖ Capacity of the crane.

UDC follows structured method of selecting the sample. Firstly, the suppliers come to the office with the items. It has its separate stores available at different locations. After the proper negotiation with the suppliers UDC selects the sample.

5.5 Incoterms used at UDC:

Surprisingly among the 13 incoterms UDC uses 4 incoterms commonly as well as mostly. These are stated below CFR, DAF, DDP and EX-WORKS.

CFR (Cost and freight) used by UDC: UDC uses CFR when its suppliers send it through the Chattogram port.

DAF (Delivered at frontier) used by UDC: UDC uses DAF when its suppliers send it through the Benapole Port.

DDP: Where the seller fulfills his obligation to deliver when the goods have been made available at the named place in the country of importation. The seller has to bear the risks and

costs, including duties, taxes and other obligations, thereto, cleared for importation charges on the goods.

Ex works: When the seller fulfills his obligation to deliver when he has made the goods available at premises to the buyer. At the same time the buyer has the liability to bear all costs and risks involved in taking the goods from the seller's premises to the desired destination.

The mostly used incoterm at UDC:

One of the very surprising facts about the Incoterms is that the mostly used Incoterm at UDC is DDP. I was assigned to figure out why DDP is prominently used here. Before going into detail, it is better to clear the concept of DDP once again and it is mentioned below.

Reason for using DDP as the mostly used incoterm:

A very important task assigned to me by UDC is to analyze why DDP is mostly used at this organization based on the information I gathered in my remaining as an intern here. Since, the seller has to bear the risks and costs, including duties, taxes VAT and other obligations. So, most of the burden of payment from the part of UDC is minimized. For this reason, DDP is the mostly used incoterm at UDC.

5.6 Objectives of supply chain management:

The objectives of Supply Chain Management are stated below.

- ❖ To maximize overall value generated
- ❖ To look for sources of revenue and cost
- ❖ Replenishment of the material or product whenever required
- ❖ Cost quality improvement
- ❖ Shortening time to order
- ❖ Faster speed to market
- ❖ To reduce transportation cost

- ❖ To achieve world class performance
- ❖ To provide flexible planning and control mechanism
- ❖ To provide labor, equipment and space efficiency
- ❖ To help in better decision making
- ❖ To ensure efficiency in the distribution side.

5.7 LC procedure by UDC Construction Limited:

The LC procedure that UDC Construction Ltd follows is almost the same as stated above.

The banks that are involves in the LC procedure are

- ❖ BANK ASIA
- ❖ PRIME BANK.

5.8 Disruptions of selecting right suppliers at UDC:

At UDC the main focus is to keep cost low. UDC always looks for the higher quality materials from a reputable supplier, so that it would have met the expectations. To add, the process to find the ideal suppliers is often not easy and requires discipline and hard work. The disruptions of selecting right suppliers are stated below.

- ❖ Ensuring win- win situation for both the parties
- ❖ Understanding the strengths and weaknesses of the suppliers
- ❖ Ensuring strategic partnership between the manufacturers and the suppliers.

5.9 Risks involve in selecting the right foreign suppliers:

At DC there are many risks associated dealing with its foreign suppliers.

- ❖ Route risks
- ❖ Economic risks which could be fluctuation of money that is devaluation of money
- ❖ War risk that is the possibility of war with the involved organizations representing different countries.

In one session one supplier came with a sample of stone. There were several varieties of stones to be selected for. Since, this is a construction company so stones are required badly.

I was instructed by my Supervisor to take few notes on the characteristics of stones. The characteristics of those stones for the construction project are stated below.

- ❖ Chemical composition of stone
- ❖ Strength and hardness
- ❖ Durability
- ❖ Resistance to fire
- ❖ Bio- deterioration
- ❖ Appearance
- ❖ Susceptibility to being carried in large sizes.

Not only that there are some other factors that need to be considered for example resistance to extreme temperature, pH conditions and the ability of sustaining in the critical conditions. To add further, weigh bearing capacity and response to natural weathering are also taken care at UDC.

5.10 Role of store at UDC:

UDC values and relies highly on the store management. For that it relies highly on its own store as well as the stores of its suppliers.

- ❖ Minimizing material handling cost
- ❖ Maintaining the value chain
- ❖ Proper inventory evaluation
- ❖ Establishing co- ordination among the departments
- ❖ Acting as buffer stock.

5.11 Rule of negotiation:

This task is all about negotiation. To negotiate between two parties, win-win situation between both the parties should be taken into consideration. To add further both win – lose and lose – lose situations should not be considered. In both cases the situation is unacceptable from both the parties involved.

To mention further, for ensuring win – win condition or situation in business technical skill is very vital and important. Once the technical things are made sure after that other things can function following it, rather it becomes much easier to focus. The greatest, example is China and India, because they surpassed others technologically and technically. Not only that, they provide the same product with lowest cost that made them market leaders. One important thing is that, for negotiation long term aspect needs to be taken into consideration. The importance of negotiation is enormous. To state that

- ❖ It helps to build better relationships with suppliers
- ❖ It helps to deliver lasting and quality solution from the part of the supplier
- ❖ It helps to avoid future problems and conflicts.

5.12 Negotiation method followed by UDC:

At UDC it always focuses on the win- win negotiation where both the parties become the beneficiaries. I was also instructed by my supervisor that negotiation can takes place by a single person representing from both the parties. This can also be done with the inclusion of multiple persons from the both parties and UDC follows both.

5.13 UDC maintaining good relationship with its suppliers:

Fortunately, UDC is quite successful in making and maintaining strong relationship with its suppliers. The organization is very much attentive in this issue. It moves on making continuous communication with its suppliers. To add more precisely,

- ❖ The assigned management talks to its suppliers regularly

- ❖ From time to time the management review and renegotiate with its suppliers
- ❖ Not only that the management is always ready to address any issue related to its suppliers.

5.14 Support a supplier can expect from UDC:

One of the differentiated characteristics of UDC how it treats its suppliers. At UDC the management considers its suppliers not only from the financial point of view. To add, UDC is quite successful in making the realization to its suppliers that they are very reliable regarding the payment issue. Finally, the organization believes in building a stronger and deeper relationship having a clear and frequent communication with its vendors or suppliers. To conclude, based on the above stated discussion it is quite clear that suppliers can expect a positive attitude as well as professional mannerism from UDC.

5.15 UDC does not change suppliers frequently:

UDC believes with that motive not to switch suppliers frequently. It highly values to its suppliers. According to the organization suppliers are the assets of this organization. So, it does not switch suppliers frequently rather tries to maintain better relationship with its suppliers through constant feedback and information sharing.

5.16 Approach of UDC if suppliers ask for abnormal high or low price:

UDC always keep on negotiating with its suppliers irrespective of whether they charge high or low. The main approach of this organization dealing with the suppliers is making continuous communication with them. It tries to reduce its suppliers' risks by reducing the price.

5.17 UDC making the procurement planning:

To attain proficiency in the procurement planning UDC has to go through rigorous supplier market analysis. To do that the organization needs to study a lot. For example, for purchasing

a crane the management of UDC has to go for collecting information about its price, quality, performance and capacity. If the supplier is from outside Bangladesh in this case political relationship with that particular country is taken into consideration. To add, route risk and fluctuation of money for example devaluation of money also needs to be taken into account by UDC. Finally, UDC also considers the war risk associated with that particular country.

For example, there are many hard and fast rules and routes of trading directly due to the Iranian block for the sanction imposed on Iran by USA. So, as a Bangladeshi buyer it is not possible to get the supply of the products directly through that route. Instead, the route through Malaysia and Indonesia is more preferable and easier for the suppliers to supply the products to Bangladesh.

5.18 Importance of specification at UDC:

A detailed description of the dimensions, construction, workmanship, materials etc. of work done or to be done, prepared by an architect, engineer etc. is called the specification.

At UDC it gives very high emphasize on the intent, performance and construction of the project and can be used to support the costing of a project. It not only emphasizes on the materials but also the performance and workmanship also. The importance of specification at UDC is stated below.

- ❖ It provides clear instructions on the intent, performance and construction of the project
- ❖ It refers the quality and standard which should be applied.

INCLUSION OF FINANCE DEPARTMENT AT UDC: UDC includes the Finance department from the very beginning of any project to be started. The organization believes that to run the day to day operations Finance is important for budgeting and forecasting. Not only that, Finance department at an organization assists managers in the running of the business. For taking or making any key strategic decisions money is required. For this reason, UDC includes the Finance department from the very beginning of its operation.

IMPORTANCE OF FINANCE DEPARTMENT AT UDC:

At UDC the importance of the Finance department is enormous. Finance department provides funding for the organization to run its operation smoothly. The importance of the Finance department at UDC is stated below.

For initial capital: To start the activities of a business capital investment is required. Not only is that seed capital is essential for ideas to materialize.

Launching new products for the new markets: Without Finance and proper financial management no organization, be able to explore the new markets or develop and test newer solutions or products. At UDC finance is required for testing and research purposes as well as for marketing and advertising purposes.

Meeting operational expense: Proper short-term financial planning and maintenance of good working capital flow is crucial to keep the operations going. At UDC major operation costs are remunerative payments, raw materials, inventory and interest payment etc.

Selling up and asset creation: In the long-term capital is crucial for purchasing assets like machinery, land, equipment etc. to expand the production scale. UDC has more or less sufficient capital budget to do that because it does not believe in relying only in the short-term aspects.

Maintenance of work program by UDC: Now question may arise how UDC Construction Ltd performs the work program activity. To do that, UDC needs to take a huge initiative for maintaining proper communication and good relationship with its suppliers. It is not very simple; it is a continuous process and takes a lot of effort to do that. To add further, UDC prepares a plan of action a long before going into details on it. In this regard it is quite successful. Lastly, there are a lot of formalities and sequential internal steps before that running through the organization.

PURCHASE REQUISITION FORM:

I was assigned to go through the purchase requisition form. To include, the purchase requisition forms are used by the managers to inform the purchasing department what materials are needed. In every department there is a department named purchase department. The function of the purchase department is to approve, alter or deny the request from the other department. If the order is approved, the purchasing department will create a purchase order.

To add more, this order form is sent to the vendor notifying them that the buyer wishes to purchase goods. If the vendor accepts the order, it produces and delivers the goods with an invoice. On the other hand, the receiving department unpacks the goods and services report to the accounting department who already has the invoice and purchase order.

When all these documents agree the accounting department can issue an invoice approval notice to the cashier indicating that a payment can be made to the vendor.

Finally, purchase requisition is a long tedious process. On the other hand, it is very helpful to prevent fraud purchases and protect the company assets from improper ordering.

The items required in the purchase requisition form are stated below.

- ❖ What material is required?
- ❖ What amount of the quantity is required?
- ❖ Descriptions about the suppliers
- ❖ Which product is required?
- ❖ Information about budget
- ❖ Information about the authorized person
- ❖ Information about fragility of the goods requested
- ❖ Special need can be highlighted.

REQUEST FOR QUOTATION (RFQ): RFQ stands for Request for Quotation. A standard business processes whose purpose is to invite suppliers into a bidding process, to bid on specific products or services. The use of a request for quote enables the soliciting company to compare bids from various suppliers easily. Finally, the company awards the contract when a vendor accepts the offer.

One of the huge advantages of RFQ is that it reduces the procurement processing time. Not only that if the competitors are not invited for bidding, they may be able to provide the item at a lesser price.

The request for quotation is typically broken into 4 sections. These are.

- ❖ Preparation phase
- ❖ Processing phase
- ❖ Awarding phase
- ❖ Closing phase.


The RFQ is also known as an invitation for bid. It includes two steps which are IFB and RFP. To add, **IFB** stands for invitation for bid and **RFP** stands for request for proposal. IFB is the initial stage.

PURCHASE ORDER:


A commercial document and first official offer issued by a buyer to a seller indicating types, quantities and agreed prices for products or services. It is used to control the purchasing of products and services from external suppliers.

It is typically used when a buyer wants to purchase supplies or inventory on account. This means the supplier delivers or ships the purchase items prior to payment, purchase order serves here as a risk protection.

Sample purchase order plays a very vital role at UDC. In the day to day operations UDC has to come across purchase orders. The importance of the purchase order at UDC is enormous. A sample purchase order is uploaded below.



House # B-104 (1st Floor), Road # 8
New DOCS, Mohammad Shera, Gurgaon
Tel: +91-124-9859-42 Fax: 8895 8711-21
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UDC/STP/SCM-019 24 Dec 2018

STP_Ltd (STP)
201/202/203, B Wing Sagar Tech Plaza, Andheri Kurla Road, Andheri East, Mumbai-400072, India
Email: commonstp14@gmail.com, dps@stpltd.com

Attn: Mr NP Sengupta, President, Cell: +91-91 6777 4241

Sub: **Package-3; Maitree Super Thermal Power Plant Project, Rampal, Bagmati**
Purchase Order for Supply of Board and Sealing Materials of PQJ Joints

Ref: (i) Your Quotation of 17 Dec 2018
(ii) Our Indent (R-1) of 23 Dec 2018

Dear Sir

With reference to the above and our discussion, we are pleased to accept your offer for supply of the above mentioned product with the negotiated price and issue the Purchase Order with following particulars:

- Product: Bitumen Saturated Joint Filler Board and Bitumen Based Sealing Compound
- Brand/CoC: ShaITex/India
- Specification: As mentioned in your TDS
- Delivery Term: DAF (Delivered At Frontier), Benapole as per Incoterms 2010
- Bill of Quantity:

Sl	Item	Unit	Packing	Quantity	Rate (USD)	Amount (USD)
1	ShallTex Expansion Joint Board	sqm	18	883.11 =459 Boards	8.65	5,808.00
2	ShallTex Sealing Compound – Hot Applied	kg	kg	22,000.00 =110 Drums	1.28	28,160.00
Total						34,068.00

- Contract Value: USD34,068.90 (US Dollar thirty four thousand sixty eight and Cent ninety only)
- Payment: By L/C at sight. Please issue a Proforma Invoice with HS Codes for this order mentioning UDC Construction Ltd. Regd. Office: 109/A, Flat-501, Room-2, Manjuri Para, Dhaka-1215, Bangladesh; Office: Level-2, House: B-104, Road-8, New DOCS, Mohammad Shera-1205, Bangladesh
(i) Mr. Abdulish, Cell: +880-01717-112-814; (ii) Mr. Latif, Cell: +880-01712-313-173
1st consignment by 07 Jan 2019 (1 truck load); and 2nd by 14 Mar 2019 (the rest)
If any dispute arises during contract period, it will be resolved amicably.
- Dispute Resolution: If your supply performance is not satisfactory, the purchase order shall be cancelled without any notice and the demurrage payment will be settled depending on the situation.

Please ensure of the supply of your product with the specified quality, on time and provide the right service.

Kind regards

For UDC Construction Ltd
Signature 24 Dec 18
(Engr Md Rafiqul BAR) Executive Director

CC: (i) MD (ii) Advisor (iii) PM (iv) FNA

UDC/TSS/SCM-012 06 Dec 2018

TSS Corporation (TSS)
House-8/3, 3rd Floor, Lane-1, Block-B, Section-6, Mirpur, Dhaka-1216
Email: tsscorp012@gmail.com, ceo@tssbd.com

Attn: Mr Suboth, Cell: 01913-589-807

Sub: **Contract Package-3; Khulna-Mongla Port Rail Line Project**
- Purchase Order for Supply of Survey Equipment

Ref: (i) Your Quotation No. TSS/SC/066/2018-2019 of 02 Dec 2018
(ii) Our Indent of 02 Dec 2018

Dear Sir

With reference to the above and our discussion, we are pleased to accept your offer for supply of the above mentioned product with the negotiated price and issue the Purchase Order with following particulars:

- Product: Survey Equipment
- Brand/CoC: Soka/Japan
- Specification: Soka specification as mentioned in your offer
- Warranty: 1 year
- Delivery term: DDP (Site) as per Incoterms 2010
- Delivery Site: UDC Office, Maitree Power Plant Project, Rampal, Bagmati
- Bill of Quantity:

Sl	Item	Model	Accuracy	Unit	Quantity	Rate (BDT)	Amount (BDT)
1	Total Station with accessories	M52	2"	No.	1	430,000.00	430,000.00
2	Auto Level Machine with accessories	B20	0.7mm/1km	No.	4	60,000.00	240,000.00
Total						1,070,000.00	1,070,000.00

- Contract Value: BDT1,070,000.00 (Taka six lac seventy thousand only)
- Payment: By check after receipt of goods on approved invoice
- Contract Person: (i) Mr Ismail, Cell: 01715-144 990; (ii) Mr Latif, Cell: 01712-313-170
- Delivery Schedule: By 12 Dec 2018
- Delay Demurrage: 2% of the Contract Value/day
- Dispute Resolution: If any dispute arises during contract period, it will be resolved amicably. Otherwise our decision will prevail.

If your performance is not satisfactory, the purchase order shall be cancelled without any notice and the demurrage payment will be settled depending on the situation.

Please ensure of the supply of your product with the specified quality, on time and provide the service of the highest standard.

Kind regards

For UDC Construction Ltd
Signature 06 Dec 18
(Engr Md Rafiqul BAR) Executive Director

CC: (i) MD (ii) Advisor (iii) PM

Theoretical terms used by UDC Construction Ltd at the purchase order:

Tendering: Tendering is the process of choosing the best or cheapest company to supply goods or do job by asking several companies to make offers for. UDC Construction Ltd follows the same steps and procedures of tendering for the selection of the appropriate supplier(s). These steps are prequalification of companies, preparation of shortlisted companies, invitation to tender, evaluation of tenders and lastly award and announcement of results.

Storing: The most fundamental role of store in supply chain is to facilitate the balance between demand and supply. At UDC it facilitates on hand inventory, in transit inventory and work in process inventory through storing.

Specification: Specification is a set of documented requirements to be satisfied by a material, design, product or service. A specification is often a type of technical standard. At UDC there are different types of technical or engineering specifications and the term is used differently in different technical contexts.

Bill of quantity: A bill of quantity (BOQ) is a document used in tendering in the construction industry in which materials, parts and food too are itemized. The elements of the bill of quantity can be item, model, unit, quantity, rate, amount etc. UDC Corporation Ltd. Uses Bill of Quantity very sophisticatedly.

Negotiation number: A unique number to identify the quotation. This number is useful for the business and its customer(s) to refer to. A quotation is used to let a potential customer know the cost of goods or services before they decide to purchase them. When a seller sends a quotation, it commits them to a certain price. UDC heavily rely on quotation number.

Dispute resolution: A dispute resolution in construction contracts is vital because it prevents potential legal action against any sort of mishaps. At UDC, dispute resolution is a long-term issue having uncertainty and complexity. One of the important characteristics of dispute resolution is that it cannot solve every issue and cannot take action on every situation.

Delay demurrage: Delay demurrage is the charges that the supplier(s) pay(s) to its purchaser(s) for delaying in operations of the day to day activities. UDC heavily charges and very strict regarding the delay demurrage.

SOME SPECIAL TERMS AND CONCEPTS:

Penetration grade:

Penetration grade is a standard bitumen which is used as a paving grade bitumen that is essential for road construction and for the production of asphalt pavements with superior properties. It is very important element for a unique cohesion and stability to the bituminous mix.

Performance grade:

The performance grade system is the method of categorizing an asphalt cement binder used in asphalt pavement relative to its rated performance at different temperatures. It was originally developed during the strategic highway research program in the early 1990s. At UDC performance grade is considered principally.

Supply contract:

An agreement by which a seller promises to supply all of the specified goods or services that a buyer needs over a certain time and at a fixed price and the buyer agrees to purchase such goods or services exclusively from the seller during that time. In international markets a supply contract is often necessary in order to look in discounted pricing and other benefits that the supplier is agreeing to provide to the client for a specific period of time. The terms of a supply contract are often defined everything from the means whereby the products are delivered, terms of payment and any other aspect of the relationship that the two parties have determined to be necessary.

The supply contract protects the rights of both parties. The client knows what to expect in terms of the goods received and how they will be delivered. In turn, the supplier knows what the client is likely to need and how payment will be submitted.

Right price:

The concept of right price varies from end to end. From the seller's point of view dictates one meaning on the other hand from the buyer's point of view it depicts another meaning. From the seller or the supplier's point of view right price is something that serves his purpose. On the other hand, from the buyer's point of view it indicates something that serves his interest.

It is a moving target that to the involved parties watching its competitors all around them picking off their customers with an array of pricing options.

Work program:

Work program is a plan of action aimed at accomplishing a clear business objective having in detail about what work needs to be done, by whom it is to be done, when it should be done and finally what sort of materials or resources will be used.

Work program at UDC:

I was introduced with the term work program. A plan of action aims at accomplishing a clear business objective having a detail information about the requirements of the materials, type of work to be done, number of people needed for getting the job done and lastly when and how the materials will be required. One of the characteristics of the work program is that it is a sequence in which tasks must be carried out so that a project or part of a project is completed on time. Below is the characteristics of the work program is stated and it includes.

- ❖ The dates and durations allocated to tasks
- ❖ A critical path in which the sequence of critical tasks upon which the overall duration of the program is dependent
- ❖ There are few tasks that can be carried out after finish of the another
- ❖ There are also few tasks that can be carried out simultaneously
- ❖ Float within tasks that are not on the critical path that means it can be incurred without affecting the critical path. Not only that identifying float can be helpful in highlighting where it may be possible to transfer resources to tasks that are on the critical path.

Lastly, a work program should not be a paper exercise that simply records what has already happened or what is likely to happen. The work program dictates the plan activities, helps to ensure monitoring the progress and to identify where additional resources may be required.

Follow up:

To define **Follow up** it is a repetition or continuation of something that has already been started or done. UDC is quite successful in maintaining the follow up session with its supplier(s). It acquires the mastery in continuous communication with its supplier(s). UDC believes in two types of follow up. These are stated below.

❖ **Pre-Construction Follow Up**

❖ **Post- Construction Follow Up.**

To elaborate **pre-construction, follow up**, at UDC it deals with the tasks that are required before the starting of any project. For example, it is the constructability analysis, selecting the low bidders. To add further, it focuses on collaboration, communication and planning to achieve the efficiency. Identifying and qualifying competent subcontractors is also a major part of **pre-construction follow up** at UDC.

Post-construction follow-up, at UDC includes the activities that are required to maintain the structure after completion of the project. For example, making and maintaining good relationship with the supplier(s) and reminding them about future dealings.

Cost engineering practice at UDC:

The engineering practice devoted to the management of project cost, involving activities such as cost control, cost forecasting, investment appraisal and risk analysis.

The role of cost engineers at UDC is to budget, plan and monitor the investment projects.

Concept of dredging:

I was informed about the concept of dredging. Dredging is a process to remove the deposits percolated underwater for the purpose of clearing the water pathway for ships to pass; to create adequate space to construct important bridges, dykes and dams and to weed out slit,

intoxicants and pollutants from the bottom of the water. UDC sometime has to deal with the concept of dredging.

Concept of specification:

Specifications are the most detailed method of describing the buyer's requirements. It also includes detailed descriptions of the materials, parts and components to be used in making a product. So, it is a description that tell the seller exactly what the buyer wants to purchase.

In one session, a supplier came and showed a metal cap as a sample. Where I was introduced about it and its usefulness. Later on, the supplier was told to store the metal cap in his custody after the mitigation of the requirements.

To exemplify **Sample** is one type of specification. I also learnt from this negotiation that for specification if the quantity required is higher than the rate that is per unit cost will be lower and vice versa.

UDC has to constantly negotiate with its small as well as big suppliers and traders both from the home country as well as from the foreign country. The experience of dealing with the local and foreign suppliers is totally contrasted to each other. UDC import few important elements for example Bitumen, Base ware etc. from the prominent countries outside the Bangladesh for example Malaysia, Indonesia etc.

Through the conversation with the foreign supplier I got to learn a very special term which is **Polymer**. To define Polymer, it is a substance which has a molecular structure built up chiefly or completely from a large number of similar units bonded together for example, many synthetic materials used as plastics and resins.

I also had the opportunity to learn about one very important term which is **Staffing**. To define staffing it involves recruitment, selection, development and compensation of subordinates. At UDC staffing is an important managerial function along with planning, organizing, directing and controlling.

Penetration grade:

Penetration grade is a standard bitumen which is used as a paving grade bitumen that is essential for road construction and for the production of asphalt pavements with superior properties. It is very important element for a unique cohesion and stability to the bituminous mix.

Performance grade:

The performance grade system is the method of categorizing an asphalt cement binder used in asphalt pavement relative to its rated performance at different temperatures. It was originally developed during the strategic highway research program in the early 1990s. At UDC performance grade is considered principally.

STANDARD OPERATING PROCEDURE (SOP):

At UDC standard operating procedure is maintained. The standard operating procedure at UDC includes almost 9 steps. The steps are following.

Firstly, the tender department will provide documents and data to the Supply Chain Management department.

Lastly, the project manager will also provide documents and data to the Supply Chain Management department.

Receiving indent for purchase requisition: Here, the project manager or the head of the construction units of UDC will prepare the PR which is purchase requisition based on the approved specification, drawings, BOQ, budget and send the same to the Supply Chain Management. Not only that, purchase requisition must be signed by the concerned officials having reference number, item number, bill of quantity, required quantity, available stock, delivery and service requirement. Soft copy of purchase requisition must be sent by email in advance to Supply Chain Management.

Checking purchase requisition: Supply Chain Management will check PR based on its supply schedule, past PR that is purchase requisition and budget.

Checking availability from UDC own source: The next job of supply chain will be to the availability of the required materials from the updated materials/ spare/asset report of project sites at Ram pal Power Project.

Ordering for transferring of material/spare/asset: If the materials are found available from the own store of the UDC the Supply Chain Management will issue the transfer order keeping the transferee and the receiving project people by informing through email. Order will also be sent to the concerned parties like Finance and Accounts department and Internal Audit Transferee project will charge on the basis of fixed rental charges and valuation by the purchase committee for the asset and material spares, scrapes for transferring of these items.

Checking sourcing information: If the materials are not found available from UDC own source the Supply Chain Management will collect sourcing information like market price of the product availability, lead time and others from suppliers.

Obtaining offers from suppliers: In this step the Supply Chain Management will send the request for quotation based on the Purchase Requisition by adjusting the transferred quantity, if any to the suppliers.

Evaluating offers, samples, test report and prepare comparative study: The supply chain management department of UDC will evaluate the offers with all relevant documents of suppliers, preferably from three to assess thoroughly of technical and financial responsiveness. To do that, it collects samples if available and send to the project site for checking conformance with respect to spec. For execution it prepares a comparative statement of the responsive suppliers and not more than that.

Placing comparative study to purchase committee for high value items:

If the value of the purchase exceeds the minimum limit set by the Supply Chain Management department it will place the comparative study to the purchase committee for the negotiation and decision making. On the other hand, if the value is below the minimum limit the Supply Chain Management will go with comparative study to the negotiation directly by itself.

Negotiating with the suppliers: Negotiation is done by UDC to achieve the negotiation targets in terms of quality, price, delivery, schedule and service levels.

Inclusion of the purchase committee:

The purchase committee for material, asset, spare, scrapes and services will be formed soon. The maximum number in the purchase committee must be four (4) where the Head of the Supply Chain Management will act as the chair of each committee. Surprisingly, the Secretary of each committee will also be from the Supply Chain Management.

To add, the respective Director of the project will be an advisor of each committee. Other members will be from the Engineering departments, Finance & Accounts and Admin.

The Secretary will convene meeting for the committees once in a week, preferably on Saturday during 3-4 pm at the office of the Head of Supply Chain Management. For that, he needs to give notice two days ahead with the agenda.

In case of urgency, a short-noticed meeting may be arranged. The members who remain in the project sites or outside of Dhaka city may participate in the meeting over phone and can send observation by email.

To add further, the committee having detail discussions and debates will take participative decisions by consensus among all. All the issues discussed and decisions made will be recorded in the signed minutes by the Secretary.

The function of purchase committee:

The function of the purchase committee at UDC is to make decision on the purchase or procurement of material asset, spare and services. Supply Chain Management will take actions following the decision of the committee for selection of the suppliers and approving the price and supply terms and conditions. For the repeat orders of the same item, of price goes up more than two percent of the last purchased price, it will be placed to the committee for the decision.

SUPPLIER EVALUATION CRITERIA:

In the supplier evaluation criteria two phenomena take place.

- ❖ **BUYER RECEIVES REQUEST TO BUY**
- ❖ **BUYER IDENTIFIES THE SUPPLIER**

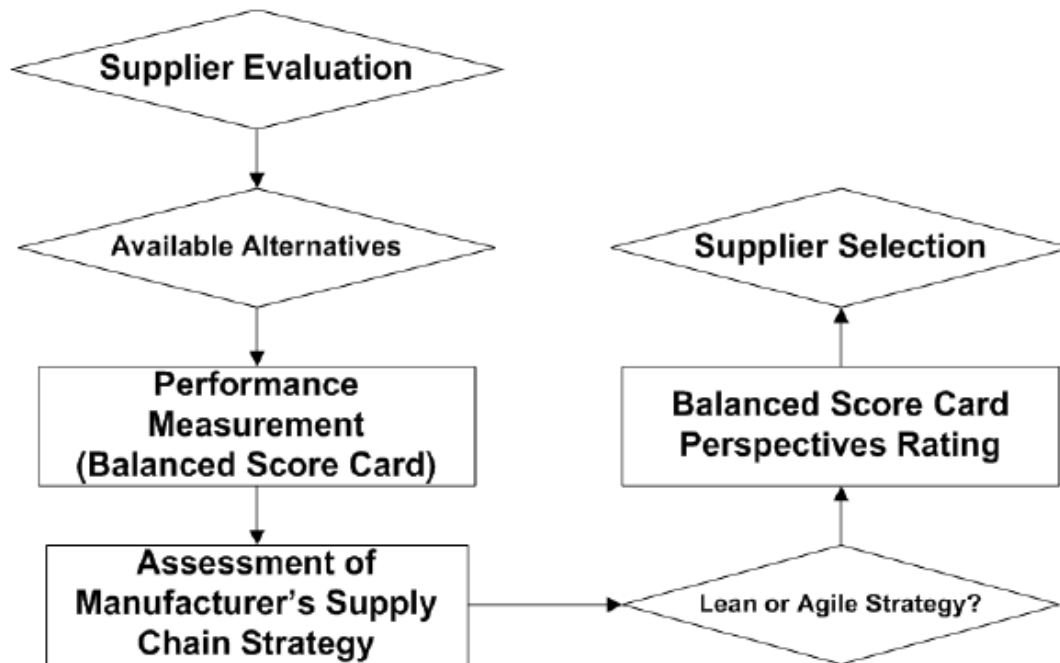


Figure: The procedure of the supplier evaluation criteria.

ITEMS CATEGORIZATION AT UDC:

	BOTTLENECK ITEMS	CRITICAL ITEMS
RISK	ROUTINIZED ITEMS	LEVERAGE ITEMS
VALUE		

According to the diagram above any product or item is categorized into 4 parts. These are

- ❖ Routinized Items
- ❖ Leverage Items
- ❖ Bottleneck Items
- ❖ Critical Items.

To elaborate Routinized Items are low value having low risk. On the other hand, Leverage Items are high value having low risk. To add, Bottleneck Items are low value having high risk. Lastly, Critical items are high value with high risk.

The unit that is used for the calculation of C- Channel and Angle as a part of purchase requirement is either in Meter or Millimeter but not in centimeter. I was informed by my supervisor at UDC that this is the international standard.

SOME SHORTCOMINGS OR LIMITATIONS OF UDC:

UDC faces some shortcomings or limitations. To state these are shortcomings or limitations related to

- ❖ Timely payment issue
- ❖ Delay payment issue
- ❖ Keeping the inventory record in paper that the company is doing presently
- ❖ Balancing physical variation of the inventory
- ❖ Maintaining intensive relationship for the foreign procurement
- ❖ Ensuring flow of information for maintaining transparency and accountability
- ❖ Ensuring flow of materials as per schedule
- ❖ Ensuring flow of fund for example Bill.

CHALLENGES ENCOUNTERED DURING INTERNSHIP:

I am highly grateful to my supervisor Md. Rafiqul Bari the Executive Director of UDC Construction Ltd. From the very beginning it was very challenging for me to cope up at UDC because it was very tough for me to come up with the working environment as well as with the staffs and the employees. Not only that, it took time to understand the procedures or the process of their working. Fortunately, I could come up to get over those difficulties and challenges.

Throughout my staying at UDC it is mentionable that it is very challenging to deal with both domestic and foreign suppliers. There are several legislative laws and regulations regarding dealing with the suppliers which is very challenging to execute. Lastly, internship is not confined into the academic proceedings. Rather it is much more. To add further, the real business scenario is much more hurdled and complex in comparison to the classroom education.

LEARNING FROM THE INTERNSHIP:

The internship opportunity at UDC Construction Limited has enabled me to enhance my vision of performing the day to day activities in a real business world. To specify, I got the opportunity to experience of how to select suppliers, how to negotiate with the suppliers, how to make liaison with the suppliers, how to maintain continuous communication and maintaining long term smoother relationship with the suppliers. To add further, staying here at UDC Construction Limited helped me to know how an organization can be run through proper leadership and in an organized way.

A major portion of my tasks at UDC Construction Limited was involved in the Supply Chain Management department. To prepare the purchase order, observing how to negotiate with the suppliers, how the supply chain functions actually work whole through the organization. I also had the opportunity to have a glimpse on the role of the Finance department involves in the whole process. I also had to go through the organogram, process flow diagram of the organization.

Lastly, working as an intern at UDC Construction Limited enlightened and taught me to develop my interpersonal skills as well as getting acquainted with the formal business procedure.

These attributes will help me to develop my knowledge and skills in my near future. Lastly, in order to communicate suitably and work in a team environment these skills will help me to grow.

RECOMMENDATIONS:

To recommend for UDC Construction Limited, it needs to implement the SAP software for increasing its efficiency. One of the functions of SAP is to track customer and business interaction. It is specially known for its Enterprise Resource Planning and data management programs. SAP software is leading standard business application software that delivers scalable to help customers to be advanced in the competitive industry practices. Not only that, to be also very active to deal dynamic market conditions and maintain competitive advantages. Another thing UDC needs to do is to develop a wish list of information for the selection of the right suppliers. To add further, another thing that UDC requires to do is to establish an R&D department for the thorough analysis of the selection of the suppliers. To add more, the organization needs to provide technical expertise and assistance to the suppliers both in relation to its products or services. Last but not the least the organization needs to ensure the prequalification as well as the post qualification of its suppliers.

To define **prequalification of suppliers** it includes screening of potential contracts, suppliers or vendors on the basis of factors for example experience, financial ability, managerial ability and reputation as well as history.

On the other hand, to define **post qualification of suppliers** this is the later part of the qualification of the suppliers. It involves a system of monitoring the suppliers' performance. Not only that, the recording of the terms and conditions of the contract. Ensuring timely delivery as well as quantity delivered as ordered. Lastly, a system for reporting and recording quality problems should be a part of this.

CONCLUSION:

The internship opportunity at UDC Construction Limited enabled me to develop my vision about how an organization's supply chain activities run at the suppliers' end. At this level my view regarding the running of the supply chain activities has been enriched a lot in comparison to the very beginning of my staying at UDC. Here, I got the opportunity to learn about the tender system followed by UDC, factors of supplier selection, how to select the sample, objective of supply chain management in this organization, disruption of selecting the right suppliers, risks involved in dealing with the foreign suppliers. Not only that, the rule of negotiation, how to make good relationship with the suppliers, how to do the procurement planning and most importantly the importance of the Finance department. I also got the opportunity to learn how the SOP works in this organization quite successfully.

As a mean of completing my internship program I observed how UDC performs its supply chain activities at the suppliers' end and for that I tried to describe all the processes in the main body. I had a limited amount of time to incorporate all the ins and outs of the day to day operations of the supply chain activities to the suppliers' end. In this perspective I tried my level best to gather as best as information I can generate out of above mentioned situation. My supervisor at UDC helped me a lot to go through this process with proper care and attention.

Regarding working with the software, it was not much complicated because it is Microsoft Excel. So, I did not have that much difficulties working on the software. All the employees were very much co-operative and concerned. I got a lot of support from them most significantly. UDC Construction is a highly valued organization with the high esteemed brand image both in national and international boundaries.

To conclude, UDC Construction is doing a tremendously praise able work in Bangladesh. It is gradually crossing the horizon of the border of Bangladesh also. My report suggests that UDC is performing its supply chain activities at the supplier's end quite handsomely.

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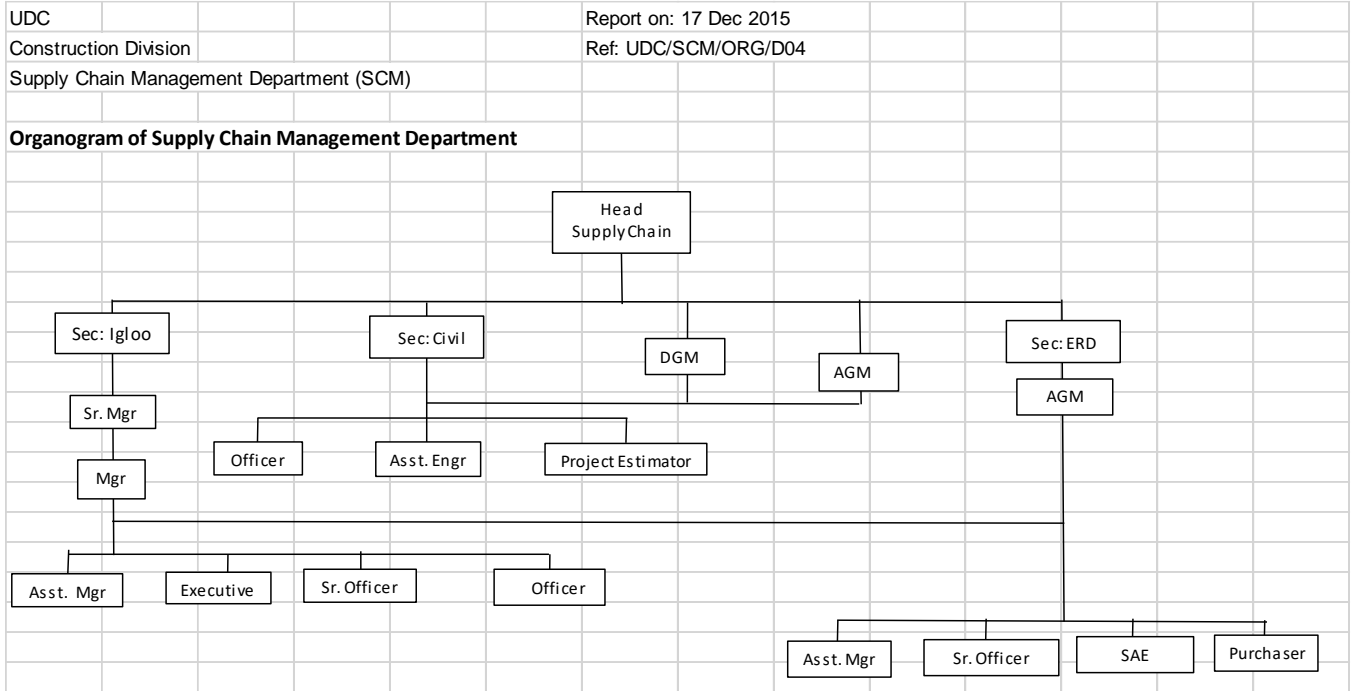
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International purchasing and supply chain management, modular learning system, module 6
obtaining and selecting offers

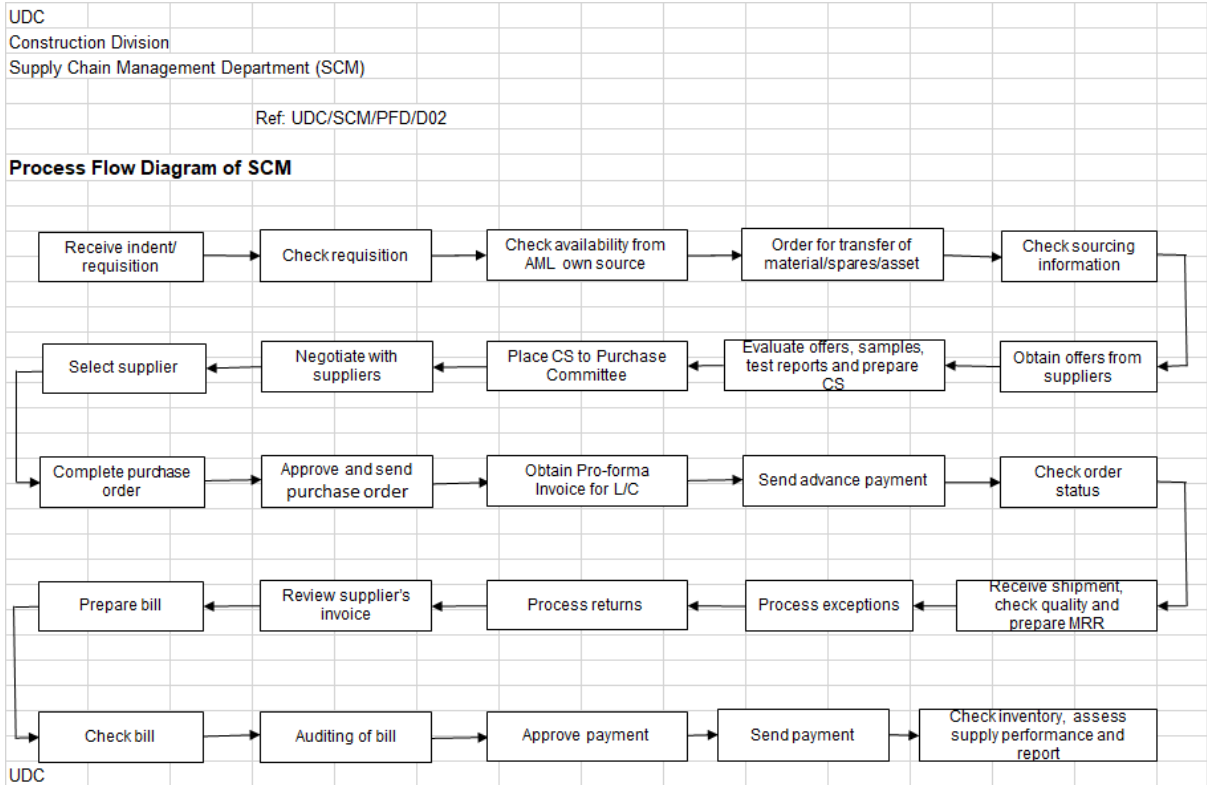
International purchasing and supply chain management, modular learning system, module 2
specifying requirement and planning supply

International purchasing and supply chain management, modular learning system, module 1,
understanding the corporate environment

APPENDIX:



ORGANOGRAM OF THE SUPPLY CHAIN MANAGEMENT DEPARTMENT OF UDC



PROCESS FLOW DIAGRAM OF THE SUPPLY CHAIN MANAGEMENT OF UDC