

RITES LTD
NORTHERN REGION

Sub- NSIC inspection Guidelines

Inspections for vendor assessment for NSIC and other clients is extremely important area of activity which enables the concerned Organizations to take decision regarding grant of MSME status that confers various benefits to Industry and also helps decision making bodies for extension of credit, placement of purchase orders for assessed item and in other developmental activities .Guidelines have already been prepared to assist Assessment official to carry out checks in a structured manner before arrive at the recommendations regarding qualification of the industry to MSME status or otherwise and the same shall continue to be effective .

2. Through this document, these guidelines are being made more exhaustive with addition of few more details which shall help the Assessment official to carry out the his work in a objective manner to a greater extant .In addition grading system has been introduced which will give rating of the assesses and eliminated areas of subjectivity in certain attributes . While it is not possible to entirely eliminate elements of subjectivity in such assessment processes mainly due to vast spectrum of Industry required to be covered as also due to complexities involved however attempt here is to limit their weightage in the process to enable the Assessment officer to attain greater degree of clarity and transparency .

3. It is expected that the Assessment official will send a questionnaire to the applicant prior to start of the exercise which will be used as basis for the physical inspection o f the unit. Further during the inspection , assessment official will be permitted to interact with all officials of the firm and also have complete access to various records of the facility . To maintain higher degree of transparency , reasons for rejection will be made known to the applicant if he is not approved with opportunity of being heard by an appellate authority if he so desires.

4. Before the Start of Inspection-

- i. NSIC guidelines already covers a list of documents required to be submitted by applicant . In addition Assessment officer may collect additional information from the firm at the time of inspection which are necessary as per modified process .However no prior contact should be made with the firm other than to tie up date and time of inspection.
- ii. Carefully examine the information supplied by the industry . Check if the firm has given specific or general information to pointed questions or if replies are correct or

- incorrect . For example if firm has given name of private customers against list demanding information on Government supplies such cases to be marked in pencil as incorrect / incomplete . In the list of M&P , if firm has not included machines required specifically to manufacture products for which certification is applied for these should be treated as incomplete information. As an illustration, If firm has applied for manufacture of Press Brake, it must have Test rig for Hydraulic testing .
- iii. Check if firm is applying for renewal of existing certificate or increase in capacity of existing description although item may already be in its manufacturing list . For example firm making 5T EOT crane may think of expanding to say 10T capacity crane which will be similar range . Renewal / capacity enhancement cases may be treated as Category I Sensitive
 - iv. When a firm is applying for registration of an Item for first time or substantial increase of capacity of existing range then it is a case requiring detailed assessment . In previous example if firm making 5 T crane is seeking registration for 50 T EOT crane ,expertise as well as facilities required in both cases are vastly different and similar to new range of machine. Such cases will be treated as Category II sensitive.
 - v. Try to collect details on the industry to be visited . The basics of the product should be known. About 4-5 hours of study would be recommended in case of technology intensive item particularly Cat II cases .
 - vi. Before visit , consultation with CM or other colleagues should be done though email which will be separately created for this purpose . It is possible that some other IE has previous exposure to similar industry and has useful tips to offer.

5. During the inspection-

During the visit , Assessment official should not only scrutinize the papers and verify the originals but also physically go around the facility. He should try to interact with key officials and if necessary he may request the owner to allow him independent one to one interaction to enable free and frank discussions . Marks should be awarded for each category of information mentioned below which also is part of check sheet .

- i) **Details of ownership of premises, VAT registration, PAN no , TAN no , Air and water consent in case of polluting industry (Total 35 Marks) -** Scrutinize the information given by the vendor and physically verify the papers with original relating to registrations, land ownership, VAT registration papers.

VAT Registration	SSI registration with Director of Industries	Premises ownership/ rent deal	Air Consent if applicable	Water consent if applicable	License for Boiler/ pressure vessel storage of chemical, hazard disposal if applicable	TAN no. reg.

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- ii) **Activity Level (20 Marks)** Physically take a round of the premises to judge if the claimed activity is being performed, whether the premises are actual manufacturing place or just storage ground

High level of activity (>90% work centres found occupied)	Partial activity(50-90% work centres found working)	Low level of activity(less than 50%)	No activity
20	14	10	4

- iii) **Financial capability (Total Marks 15)-** Check Banks statement for last 3 years . Check if any outstanding loans are there and how is assessed performance regarding repayment of loans . Is there any major legal claim on the Firm by any other party? Whether profit is being earned? Audited balance sheet by the Chartered accountant should be checked

Bank statement 3 years Check if firm is meeting its operating cost (inflow minus outflow should be positive for the entire FY)	Balance sheet 3 years audited by CA . Profit/ loss booked	Loan on the firm	Loan Repayment capability
5 marks for each positive cash flow	5 Marks for – profit in all each year	5 marks if loan < 25 % of Capital 3 Marks for Loan 25-50% of capital value Else zero	2 marks for each year when full loan was successfully repaid

- iv) **Manpower Profile (Maximum Marks 65)**
Collect information on following in advance.
-Number of staff on roll both skilled and unskilled
-No. of staff on roll for more than one year
- Name , qualification and period since employed of incharge of production , design and Quality assurance facility, finance

- Copy of educational qualification of skilled staff to be collected and scrutinized for key personnel(Heads)
- Registration with EPF if no. of employees is >20 continuously for 3 years or more

Name of person	Educational qualification		Period of Experience in current position	Total experience	Certificate copy attached Y/N	

- a) **Marking for Educational qualification (Maximum Marks 30)** - 8 marks for each Post graduate , 6 for graduate , 4 for diploma and 3 for +2 /ITI and 1 mark for 8th class and above . Nil for illiterate staff

Arrive at % weight age by multiplying total staff by 8 (Maximum marks if all are Post Graduate) . Say if total no. of staff is 50 maximum marks can be 300(50x8). % will be sum of actual Marks obtained for each staff/ 400.

For every organization it is assumed desirable ideal Educational qualification ratio for PG :Graduate: Diploma: ITI/ SSC: 8th Class Pass would be 1:3:6:60:30 . Total percentile marks for such mix of manpower is 266 out of 800 i.e 33.35. Any organization scoring 33.25 % will be awarded 30 Marks . For variation in percentile on either than 33.25, marks will be awarded in proportion to percentile/33.25 . Upper ceiling is 60 marks .

- b) **Experience (Maximum Marks 25)**

Experience of Heads of production, design, Quality Control, Finance and After sales services

>3 years- 5 marks for each

1-3 years- 3 marks

<1year- 1 marks

- c) **EPF Certificate-** 10 Marks if Valid EPF certificate available. Nil otherwise

- v) **Design capability (Maximum Marks 65)**

Assessment officer must check deign capability in detail for following aspects -

-Who is the design engineer and what are his qualifications (8 for Post graduate , 6 For graduate 3 others)

-Experience/ previous deigns made or evaluated by him (7 marks for successful commercial launch of product designed by him, 4 for design made/ evaluated but not yet launched, Nil for others)

-Has any basic deign been prepared for product applied for ? if so design to be submitted (10 marks)

-How is power calculation done ? Say for a shearing machine calculation for main motor to be provided by the supplier(5 marks)

-Control panel, electronics on proposed or existing machine . Is any plan available?(5 marks)

- If machine is going to use hydraulics (Press brake, Guillotine shearing, Wheel press) then hydraulic line diagram should be available . Else for already working machine , hydraulic line diagram should be available). If no hydraulics is used these marks shall be evaluated by increasing weightage of Power calculation details . (5 marks)
- Safety features provision- What all safety features are being provided on the planned machine?(5 marks)
- Availability of software (Auto CAD, Auto desk, Pro E, Catia, inventor, Solid works or any e tool) if any or manual design tools are used (10 marks for IT based design Tool, 4 Marks for manual, Nil if no design Tool available)
- Design is inhouse or outsourced(10 marks for inhouse, 5 if design is done through outsourcing (check records) Nil if empirical design is being offered or product not being designed

vi) **Available M&P and manufacturing facilities (Maximum Marks 65)**

- Check with the list of M&P given by the firm with physical availability on the firm's premises. Are the machine listed by firm found in working order? Machine not working in three month will be struck off.(Maximum score 10 , % of machines working will be marks awarded)
- Check wrt testing rigs and testing gauges. If Hydraulics or electrical machines are involved then test rugs should be available. If applicant claims that he will use facility of outsourced firm then name of the outsourcing party , any MOU with outside firm should be established on documents (10 marks if all Test rigs available, 5 if firm can show MOU with related testing firm , Nil in other cases)
- Check if test rigs/ measuring instruments are being calibrated regularly and by whom(5 marks for 100% calibrated instruments , 3 for > 60%, 1 mark for < 60%)
- Ask for flow chart/ process sheet for intended product. If it is available then compare with available M&P and check if the applicant has necessary facilities. If no flow chart available for intended product then check for major existing product . Check cost of raw material with cost of final product. 40 marks if value addition> 50% . 20 marks for value addition 40-50%, 10 for < 40%. If applicant is not in a position to provide calculation of value addition, check number of processes and count out of these how many are out sourced and how many are in-house . % can be worked out from that . However in such cases Maximum marks to be awarded will be out of 20 .

VII) **ISO 9000 certification (20 marks for valid ISO)**

- Many firms are now claiming ISO certification. In such cases their documentation for ISO certification (original) be checked.
- Check their internal procedure and ISO manual
- Check if internal and external audits have been conducted

VIII) **Quality checks and Complaint management (Maximum Marks 20) –**

No firm which is carrying out business on regular basis can claim that it does not receive any complaint. Even reputed Auto manufacturers receive regular complaints. To maintain quality –

- Check if firm has any inspection department separate from production for its existing products (10 marks for well defined quality cell)
- Record of internal rejections should be checked. How many parts produced and how many failed (4 marks for proper records) .
- Customer complaint records exist or not (6 marks for customer complaint records)

IX Past Record of NSIC certification(30 marks)- Did firm obtain NSIC for any other product. If so when ? Has the firm successfully and commercially manufactured the product and supplied to Govt/ Pvt sector

X) Credentials (20 marks) - List of customers with complete name address , PO copy, Contact nos and successful commissioning should be obtained

6. Qualification Yardsticks - Total Permissible marks in above scheme are 350 as shown below-

Section	Attributes	Maximum Marks
I	Documents Check	35
II	Activity Level	20
III	Financial Capability	15
IV	Manpower Profile	65
V	Design Capability	60
VI	Manufacturing Facilities and M&P	65
VII	ISO 9000	20
VIII	Quality Control & Customers Complaints	20
IX	NSIC Certification	30
X	Credentials	20
	Grand Total	350

Any Applicant of category 1 scoring 140 will be declared as qualified while applicants of Category II scoring 175 Marks will be declared qualified.