

**Public Procurement
Policy for MSEs,
Order 2012**



MSME

Micro, Small & Medium Enterprises
सूक्ष्म, लघु और मध्यम उद्यम





सूक्ष्म, लघु और मध्यम उद्यम मंत्रालय

Ministry of Micro, Small & Medium Enterprises



Entrepreneurs!

Just take few simple steps to make an Enterprise of your dreams...

MSME / Udyam Registration

Process



Our Small Hands to Make you LARGE

History:

- This policy is applicable with effect from 01.04.2012 and become mandatory with effect from 01.04.2015.
- MSME: Micro, small and Medium Enterprises. (सूक्ष्म, लघु, मध्यम, उद्यम).
- The Ministry of MSME [earlier known as Ministry of Small Scale Industries and Agro & Rural Industries (SSI & ARI)] came into being from 1999.
- To provide focused attention to the development and promotion of the sector.

Objectives of the policy:

- The **objective** of the Policy is to **promote** Micro and Small Enterprises (MSEs) by improving their market access and competitiveness through:
- Increased participation in Government purchase.
- Encouraging relationship (including product development) **between MSEs and Public Sector Undertaking (PSUs)**.
- **Increased share of supplies** of MSEs to Central Government Ministries/ Departments and CPSUs. [?]
- The long terms goal of the Ministry is to enhance **manufacturing base in the country** by improving performance of MSME through skill and entrepreneurship development.

Functions:

- Facilitation and credit flow to MSMEs.
- Improving competitiveness of MSMEs.
- Improve manufacturing base through upgradation of technology.
- Promotion of MSMEs through cluster bases approach.
- Marketing support to MSMEs.
- Skill development and entrepreneurship development training.
- Creation of new Micro Enterprises through Prime Minister's Employment Generation Program (PMEGP).
- Growth and development of Khadi and Village Industries (KVI) sector.
- Growth and development of Coir Industry.

- In accordance with the provision of Micro, Small & Medium Enterprises Development (MSMED) Act, 2006 the Micro, Small and Medium Enterprises (MSME) are classified in two Classes:
 - (1) Manufacturing Enterprises.
 - (2) Those engaged in providing / rendering service Enterprises.
- Both categories of enterprises have been further classified into micro, small and medium enterprises based on their investment in plant and machinery or on equipments.
- The present ceiling on investment to be classified as micro, small or medium enterprises is as under:

Micro, Small and Medium Enterprises: Know the Differences



| Classification | | Investment on plants, Machinery & equipments | Turnover |
|---|--------|--|--------------------|
| Manufacturing Enterprises and Enterprises rendering Services | Micro | Upto Rs.1 crore | Upto Rs. 5 crore |
| | Small | Upto Rs.10 crore | Upto Rs. 50 crore |
| | Medium | Upto Rs.50 crore | Upto Rs. 250 crore |

- The public procurement policy rest upon the core principles (सार, मूलभूत सिद्धान्त) of competitiveness (प्रतियोगितात्मकता) adhering (पालन करना) to sound procurement practice and execution of order for supply of goods or services in accordance with a system which is fair (न्याययुक्त), equitable (निष्पक्ष), transparent (पारदर्शी), competitive, cost effective (फ़ायदेमन्द, किफायती).
- The policy extending certain benefit/preferential treatment to MSEs.
- Making effort for development of appropriate vendors and enhancement of their participation in government procurement.

Who is eligible for availing the benefits under this policy:

- In order to avail themselves such benefit and preferential treatment to MSEs must registered (as mentioned in section 7(4) of Ministry of MSME's Notification No. S.02119(E) dated 26th June, 2020) with any other organisation under the Ministry of MSME shall register itself under **Udyam Registration With effect from 01.07.2020.** MSEs registered under Udyam Registration are eligible to avail the benefits under the Policy.

➤ In pursuance (अनुसरण)of the public procurement on MSME, it has been decided that :

- The tender sets will be provided free of cost to MSE to registered with the above agencies for the tendered item.
- MSE registered firm will be exempted from EMD.
- In tenders, participating MSEs quoting a price within price band of **L1+15%** shall be allowed to supply a portion of the requirement by bringing down their price to L1 price in a situation where L1 price from someone other than a MSEs can be order together **upto 25% of the total tender value.**
- **100% in case order quantity is not divisible.**
- On refusal of such lowest MSE to accept L1 price, second lowest MSEs within the range of **L1+15%**, shall be considered.

- Every Department shall set an annual goal of procurement from MSE from the year 2012-13 and onwards. With the objective of achieving an overall procurement of minimum 20% of annual total purchase of product produced and service rendered by MSE in a period of three years.
- After 01.04.2015 overall procurement goal of minimum 25% shall be mandatory.
- Defense armament import will not be included in computing 25 % goal for M/o defense.
- **Out of this 25%, 4% owned by SC/ST Entrepreneurs & 3% Women Entrepreneur.**
- In the event of failure of such MSEs to participate in the tender process or meet tender requirement and L1 price 4% sub-target for procurement earmarked from MSEs owned by SC/ST entrepreneurs 3% earmarked to women Entrepreneur will also be met from other MSEs.

- Ministry or Department shall continue to **358 items** from MSE, which have been reserved for exclusive purchase from them.
- In order to extend benefit/preferential treatment to eligible MSEs, Suitable conditions may be include in bid documents as below (i) to (iii)
 - I. **The tender sets will be provided free of cost to MSME to registered with the above agencies for the item tendered.**
 - II. **MSME registered firms will be exempted from EMD.**
 - III. In tenders, participating MSEs quoting a price within price band of L1+15% shall be allowed to supply a portion of the requirement by bringing down their price to L1 price in a situation where L1 price from someone other than a MSEs can be order together upto 25% of the total tender value.

- The MSE who are interested in availing themselves of these benefit will enclose with their the proof of being MSE registered with [Udyog Aadhaar Memorandum(UAM) valid till 31.03.2022 has been replaced by **Udyam Registration Certificate (URC)** w.e.f. 01.07.2020] any of the agencies notified.
- The MSEs must also indicate the terminal validity date of their registration.

Question:

Q1. In tenders, participating MSEs quoting a price within price band of $L1+15\%$ shall be allowed to supply a portion of the requirement in a situation where L1 price from someone other than a MSEs can be order together upto 25% of the total tender value.

- a. bringing down their price to $L1+10\%$ price.
- b. bringing down their price to L1 price.
- c. bringing down their price to $L1-10\%$ price.
- d. bringing down their price less than $L1+15\%$ price

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Question:

Q2. On refusal of lowest MSE to accept L1 price, second lowest MSE within the range of shall be considered.

- a. $L1 + 10 \%$
- b. $L1 + 15 \%$
- c. $L1 + 20 \%$
- d. Can not consider to second lowest MSE who come in the range of price preference.

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Q3. How much of total government purchase is presently targeted for purchase from Micro and Small Enterprises:

- A. Minimum 15%
- B. Minimum 20%
- C. Minimum 25%
- D. Minimum 30%

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Question:

Q4. Which of the following items is not reserved for procurement from MSEs (Group IV items)?

- A. Bolts & nuts
- B. Leather Bags
- C. Brake beam for coach
- D. Brooms

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Question:

Q5. How many items are reserved for procurement from MSEs?

- A. 328
- B. 358
- C. 378
- D. 398

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A. 328

B. 358

C. 258

D. 398

Question:

Q6. In terms of MSME Development Act, an MSE vendor is entitled for ----- .

- A. Purchase preference for 15% of NPQ.
- B. Price preference for 15% of NPQ.
- C. Purchase preference for 25% of NPQ.
- D. Price preference for 25% of NPQ.

Question:

Q6. In terms of MSME Development Act, an MSE vendor is entitled for ----- .

- A. Purchase preference for 15% of NPQ.
- B. Price preference for 15% of NPQ.
- C. Purchase preference for 25% of NPQ.
- D. Price preference for 25% of NPQ.

Thankx