

Procurement norms under Public Procurement Policy for MSEs **(PPP-MSEs:2012)**

1. As per Public Procurement policy (PPP) for Micro & Small Enterprises (MSEs) Order, 2012 issued vide Gazette Notification dated 23.03.2012 by Ministry of Micro, Small and Medium Enterprises of Govt. of India, MSEs must be registered with any of the following in order to avail the benefits / preference available vide Public Procurement Policy MSEs Order, 2012:
 - a) National Small Industries Corporation (NSIC)
 - b) Directorate of Handicraft and Handloom
 - c) Any other body specified by Ministry of MSE (MoMSE)
 - d) Udyog Aadhaar Memorandum / Udyam Registration
2. MSEs participating in the tender must submit valid & authorised copy of certificate of registration with any one of the above agencies.
3. Traders/resellers/distributors/authorized agents will not be considered for availing benefits under PP Policy 2012 for MSEs as per MSE guidelines issued by MoMSE.
4. The registration certificate issued from any one of the above agencies must be valid as on bid closing date of the tender. Bidder shall ensure validity of registration certificate in case bid closing date is extended.
5. The MSEs who have applied for registration or renewal of registration with any of the above agencies/bodies, but have not obtained the valid certificate as on close date of the tender, are not eligible for exemption/preference.
6. The MSEs registered with above mentioned agencies /bodies are exempted from payment of Earnest Money Deposit (EMD) & tender fee.
7. **Relaxation of Norms for Micro & Small Enterprises (MSEs):**
 - a. Pre-qualification criteria with respect to Prior Turnover and Prior experience may be relaxed for Micro & Small Enterprises as per GOI guidelines subject to meeting of quality and technical specifications.
 - b. However, there may be circumstances like procurement of items/services related to public safety, health, critical security operations and equipment, etc., wherein BHEL reserves the right to not consider relaxation of Prior Turnover and Prior Experience for Micro and Small Enterprises as per GOI guidelines.

8. Purchase Preference:

- a) Items which are reserved for exclusive purchase from Micro and Small Enterprises shall be procured from Micro and Small Enterprises as per Public Procurement Policy.

- b) Subject to meeting terms and conditions stated in the tender document, twenty five percent of the total quantity of the tender is earmarked for MSEs registered with above mentioned agencies/bodies for the tendered item/services.
- c) In case MSE bidder is L1 entire value of the tender is to be ordered on the L1 MSE bidder.
- d) In tender, participating Micro and Small Enterprises quoting price within price band of L1 + 15% shall also be allowed to supply a portion of requirement by bringing down their price to L1 price in a situation where L1 price is from someone other than a Micro and Small Enterprise and such Micro and Small Enterprise shall be allowed to supply upto 25 percent of the total tendered value (where the tender quantity can be split).
- e) In case of more than one such MSEs are in the price band of L1 + 15% and matches the L1 price, the supply may be shared proportionately if the job can be split.
- f) In case the tendered quantity cannot be split, MSE shall be allowed to supply total tendered quantity provided their quoted price is within a price band of L1 + 15 percent and they match the L1 price.
- g) If the quantity cannot be split and there are more than one eligible MSE bidders (price band within L1+15%) then the opportunity to match the L1 rate of the tender shall be given first to MSE (who have quoted lowest rate among the MSEs within the price band of L1+15%) and the total quantity shall be awarded to him after matching the L1 price of the tender.
- h) If the MSE who have quoted lowest rate among the MSEs in the price band of L1 + 15% do not agree to match the rate of L1 of the tender, then the next ranked MSE bidder who has quoted within the price band of L1 + 15% in order shall be given chance to match the rate of L1 for award of the quantity/order.
- i) For more clarity in this regard, following table is furnished;

Type of Tender	Price quoted by MSE	Finalization of tender
Can be Split	L1	Full order on MSE
Can be Split	Not L1 but within L1+15%	25% or more order on MSE subject to matching L1 price
Cannot be Split	L1	Full Order on MSE
Cannot be Split	Not L1 but within L1+15%	Full Order on MSE subject to matching L1 price

- j) The purchase preference to MSE is not applicable for works contracts.

9. Out of the 25% target of annual procurement from micro and small enterprises 6.25% shall be earmarked for procurement from micro and small enterprises owned by Scheduled Caste & Scheduled Tribe and 3% for Woman entrepreneurs. In the event of failure of such MSEs to participate in the tender process or meet the tender requirements and L1 price, the sub-target so earmarked shall be met from other MSEs.

10. To qualify for entitlement as SC/ST owned MSE, the SC/ST certificate issued by District Authority in addition to certificate of registration with any one of the agencies mentioned in paragraph (I) above. Alternatively, the bidder shall be responsible to furnish necessary documentary evidence to ascertain that the MSE is owned by SC/ST entrepreneurs.
11. MSE owned by SC/ST or Woman is defined as:
- In case of proprietary MSE, proprietor(s) shall be SC/ST or Woman
 - In case of partnership MSE, The SC/ST or Woman partners shall be holding at least 51% shares in the enterprise.
 - In case of Private Limited Companies, at least 51% share shall be held by SC/ST or Woman promoters.
12. If the bidder does not provide appropriate document or any evidence to substantiate the above, then it will be presumed that he does not qualify for any preference admissible under the Public Procurement Policy, 2012.

Relaxations For Start-Up Companies:

- Subject to meeting of Quality and Technical specifications, BHEL may consider allowing the participation of "Start up" companies with capability to execute the supply/ services, as per technical specifications/ perform the job as per scope of work specified in the tender and subject to meeting extant & relevant guidelines of Government of India. This should be confirmed and substantiated in the technical bid.
- The bidder who intends to participate as "Start up" company should enclose the Certificate of Recognition issued by Department of Industrial Policy and Promotion, Ministry of Commerce & Industry, Govt. of India during submission of Technical bid.
- Prequalification Criteria with respect to Prior Turnover and Prior Experience may be relaxed for Start ups as per the GOI guidelines.
- However, there may be circumstances like procurement of items/services related to public safety, health, critical security operations and equipment, etc wherein BHEL reserves the right to not consider relaxation of Prior Turnover and Prior Experience for Start up Companies as per GOI guidelines.
- Start up Companies who are also registered as MSEs and wish to avail the benefits as applicable to MSE, shall submit relevant documents covered under Conditions for Micro and Small Enterprises elsewhere in this tender.

Important Note:

Negotiations shall not be conducted with bidders as a matter of routine. For recorded reasons negotiations may be conducted with L1 bidder with the approval of competent authority. **In such case the eligible MSE bidder will have to match the Negotiated L1 price.** The price band of L1 + 15% shall be based on pre-negotiated L1 price but all other criteria defined above shall be based on Negotiated L1 price

**Procurement norms for Public Procurement Policy “Make in India”
(PPP-MII:2017)**

1. In line with the preference to ‘Make in India’ policy of GOI, purchase preference shall be given to Class-I local supplier/bidder only in all procurement of Goods & Services in the manner specified below.
2. For all procurements (goods, services or works) in respect of which **the Nodal Ministry has communicated that there is sufficient local capacity and local competition**, only Class-I local suppliers shall be eligible to bid irrespective of the procurement value. The preference for MSE units quoting within the price band of L1 +15% will also be applicable here.
3. For all procurements of goods and services **other than SI. No 2 above** and **which are divisible in nature, but split criteria has not been pre-declared in the tender** then the following procedure shall be followed:
 - a) Among all qualified bids the lowest bid will be termed as L1. If L1 is from a Class-I bidder and happens to be a MSE Unit, then the contract for full quantity will be awarded to L1 bidder.

For Example:
After opening of Price Bid if the ranking is as follows:
L1-Class-I Bidder and MSE
L2-Any other category of Bidder including Class-I and Non-MSE
Then 100 % of the tender quantity to be awarded to the L1 bidder.
 - b) However, if the L1 is a Class-I bidder, who is not an MSE unit and if there is an MSE unit/s quoting within the price band of L1 + 15% then 75% of the tendered quantity will be awarded to the L1 Class-I bidder and the balance 25% will be awarded to the MSE unit/s in accordance with preference policy for MSE units i.e. if there are more than one MSE within the L1 + 15% price band then the distribution will be done equally among them from the 25% quantity.

For Example:
After opening of Price Bid if the ranking is as follows:
L1- Class-I local bidder and Non-MSE
L2- Class-I bidder and MSE within L1 + 15 % price band
L3- Class-I bidder and MSE within L1 + 15 % price band
Then 75 % of the tender quantity to be awarded to the L1 bidder and balance 12.5% each to be awarded to the L2 and L3 bidders subject to their matching the L1 price.

- c) If the L1 bid is from a Non-Local/Class-II bidder, then 50% of the order quantity shall be awarded to L1 bidder. Thereafter, the lowest among the Class-I local bidder will be invited to match the L1 price for the remaining 50% quantity, subject to the Class-I bidder's quoted price falling within the margin of preference of 20%. If the Class-I bidder happens to be **MSE unit** and agrees to match the L1 price then, the balance 50% of the tendered quantity shall be awarded to such Class-I bidder matching the L1 price. In case such lowest eligible Class-I bidder fails to match the L1 price or accepts less than the offered quantity, the next higher Class-I bidder within the 20% margin of purchase preference shall be invited to match the L1 price for remaining quantity and so on and so forth. The contract shall be awarded accordingly. In case some quantity is still left uncovered on Class-I local bidder then such balance quantity may also be ordered on the original L1 bidder.

For Example:

Case 1

After opening of Price Bid if the ranking is as follows:

L1-Non local/Class-II bidder

L2-Class-I bidder and MSE within $L1 + 15\%$ price band

L3-Class-I (MSE/Non MSE) within $L1 + 20\%$ margin of purchase preference

Then 50 % of the tender quantity to be awarded to the L1 bidder and balance 50% to be awarded to the L2 bidder subject to their matching the L1 price. In case the L2 bidder fails to match the L1 price then the L3 bidder will be invited to match the L1 price and so on and so forth.

Case 2

After opening of Price Bid if the ranking is as follows:

L1-Non local/Class-II bidder (Say ₹ 100)

L2-Class-I bidder and MSE within $L1 + 15\%$ price band (Say Rs110)

L3-Class-I bidder and Non MSE within $L1 + 20\%$ margin of purchase Preference (Say ₹ 112)

Then 50 % of the tender quantity to be awarded to the L1 bidder and the balance 50 % to the L2 bidder subject to their matching the L1 price. However, if the L2 bidder accepts less than the allotted quantity then the quantities will be allotted as follows:

L1 bidder-50 % of the tender quantity

L2 bidder-Say accepts 30 % of the tender quantity

L3 bidder-20%

(If L2 accepts 40% of the tender quantity then L3 bidder will be eligible for 10%. In other words the allotment of quantity to L3 bidder will depend on the acceptance of the quantity by L2 bidder).

- d) If the L1 is from a Non local/Class-II bidder and the L2 is from the Class-I local bidder who is **not an MSE unit (but is within 20 % margin of purchase preference)** and agrees to match the L1 price but However, there is a MSE unit within the L1 + 15% price band then the Class-I L2 bidder will be eligible for award of 25% of the tender quantity and the MSE will be eligible for 25% of the tendered quantity, provided they agree to match the L1 price. If there are more than one MSEs within the L1 + 15% price band then the distribution will be done equally among them from the 25% quantity. In case such lowest eligible Class-I bidder fails to match the L1 price or accepts less than the offered quantity, the next higher Class-I local bidder within the 20% margin of purchase preference shall be invited to match the L1 price for the remaining quantity and so on and so forth. The contract shall be awarded accordingly. In case some quantity is still left uncovered on Class-I local bidders then such balance quantity may also be ordered on the original L1 bidder.

Case 1

After opening of Price Bid if the ranking is as follows:

L1-Non Local/Class-II bidder (Say ₹ 100)

L2-Class-I local bidder (Non MSE), within 20% margin of purchase preference (Say ₹ 110)

L3-Class-I local bidder (MSE) within L1 + 15% price band (Say ₹ 112)

Then the quantity will be allotted as follows:

L1 bidder-50 % of the tender quantity

L2 bidder (Non MSE)- 25 % of the tender quantity

L3 bidder (MSE)-25% of the tender quantity

4. For all procurements of goods and services **other than SI. No 2 above** and **which are divisible in nature & a split criterion has been pre-declared (generally 60:40 ratio) in the tender** then the following procedure shall be followed:
- a) Among all qualified bids, the lowest bid will be termed as L1. If L1 and L2 are Class-I & Class-II bidders and there are no MSEs within the price band of L1 +15% then the contract should be awarded to the L1 and L2 Class-I/Class-II bidders in the pre- declared ratio subject to L2 bidder matching the L1 price.
 - b) However, if the L1 bidder is not a Class-I local bidder, then 50% of the tender quantity to be awarded to the L1 bidder. If the lowest bidder among the Class-I local bidder falls within the margin of purchase preference of 20% but is not a MSE and there are no other MSE bidders within the L1+15% price band then the balance 50% quantity should be awarded to lowest Class-I bidder.
 - c) If the L1 bidder is not a Class-I bidder, then 50% of the tender quantity to be awarded to the L1 bidder. If the lowest Class-I local bidder is a MSE unit and falls within the margin of purchase preference of 20%, then the balance 50% tender quantity will be awarded to the Class-I local bidder who also happens to be MSE.

- d) However, if the lowest Class-I local bidder is not a MSE unit and there are other MSE bidders within the L1+15% price band, then lowest Class-I bidder will be eligible for 25% of the tendered quantity and the other MSE bidder will be eligible for 25% of the tender quantity. If there are more than one MSE within the L1+15% price band then the distribution will be done equally among them from the 25% quantity.

NOTE:

In case Class-I local bidders are available within the purchase preference margin of 20% and they are willing to match the L1 price of the non-local/Class-II bidder, then the **percentage of business to be awarded to the non- local/Class-II bidder will not exceed 50%**, irrespective of the ratio declared in the tender document.

5. For all procurements of goods and services **other than Sl. No 2 above** and **which are NOT divisible**, the following procedure shall be followed:
- a) Among all qualified bids the lowest bid will be termed as L1. If L1 is from a Class-I local bidder, then 100% of the tender quantity will be awarded to L1 bidder.
 - b) If L1 is not from a Class-I local bidder, the lowest bidder among the Class-I local bidders, will be invited to match the L1 price subject to Class-I local bidder's quoted price falling within the margin of purchase preference of 20%. In such cases the entire 100% of the tender quantity shall be awarded to Class-I local bidder subject to matching the L1 price.
 - c) In case such lowest eligible Class-I local bidder fails to match the L1 price, the Class-I local bidder with the next higher bid within the margin of purchase preference of 20% shall be invited to match the L1 price and so on and so forth. The contract shall be awarded accordingly. In case none of the Class-I local bidders within the margin of purchase preference / price band of L1 +20% matches the L1 price then the contract may be awarded to the L1 bidder.
6. **Exemption of small purchases:** Notwithstanding anything contained above, procurements where the estimated value to be procured is less than ₹ 5 lakhs, the above provisions shall not be applicable. However, it shall be ensured that procurement is not split for the purpose of avoiding the provisions of this clause.

Important Note:

Negotiations shall not be conducted with bidders as a matter of routine. For recorded reasons negotiations may be conducted with L1 bidder with the approval of competent authority. **In such case the eligible Class-1 & Non MSE/Class-1 & MSE Local bidder will have to match the Negotiated L1 price.** The margin of purchase preference (20% for Class-1 Non-MSE or 15% for Class-1 & MSE) shall be based on pre-negotiated L1 price but all other criteria defined above shall be based on Negotiated L1 price