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Shri Dinesh Rai, I.A.S.
Secretary, MSME
Ministry of Micro, Small & Medium Enterprises,
Govt. of India,
Udyog Bhawan, Room No. 170,
New Delhi

Sub:- Discriminatory purchase practices by Government departments / establishments against MSME.

Sir,

We refer meeting of IIA President Shri Anil Gupta with you on 11.08.2009 in Delhi. In the above meeting Shri Anil Gupta apprised you about discriminatory purchase practices against MSME, adopted by State/Central Government departments/establishments, which are contrary to the policies of the Govt. of India as well as State Govt. As per discussion, we are citing few such cases for your kind information as under :-

1. Minimum turnover clause imposed in tenders by Uttar Pradesh Power Corporation Limited

- A. Madhyanchal Vidhut Vitran Nigam Limited, Lucknow floated few tenders in December, 2008 for procurement of transformers. **(Copy of tender enclosed at Annexure-I for your reference)**. In these tenders, under 'Special Instructions to Tenders' at point no. 13, a Turnover Requirement clause was added, which was as follows-

Turnover Requirement: - The bidder should have a minimum annual turnover of Rs.10.0 Crore in the last three financial years. The audited balance sheet/CA's certificate shall be enclosed in support of above, failing which the bid shall not be considered.

- B. Madhyanchal Vidhut Vitran Nigam Limited, Lucknow floated tender No ESCL/06/2009 in May 2009 for procurement of 50000 transformers of 25KVA. **(Copy of tender enclosed at Annexure-II)**. In this tender, under 'Special Instruction to Tenders' at point No 13, Turnover Requirement clause was added, which says -

Turnover Requirement:- The bidder should have a minimum annual turnover of Rs.25.0 Crore in the last three financial years. The audited balance sheet/CA's certificate shall be enclosed in support of above, failing which the bid shall not be considered.

- C. Paschimanchal Vidhut Vitran Nigam Ltd, Meerut (U.P) floated two Tenders in July, 2009 for procurement of LT A.B. Conductor (**Copies of both tenders enclosed at Annexure-III**). Under 'Schedule of Quantities, Desired Delivery & Earnest Money' at 1.2.1(c) Turnover Requirement clause is added, which is as follows-

Turnover Requirement:- The bidder should have a minimum annual turnover of Rs.100.0 Crore in the last three financial years. The audited balance sheet/CA's certificate shall be enclosed in support of above, failing which the bid shall not be considered.

2. **Department of Forest, Govt. of U.P purchasing Tree Guards etc from U.P Agro (a state Govt. enterprise) at very high price, sidelining the SSI units of the state, who are ready to supply the same at a price 30-35% lower than U.P Agro's.**

In November, 1996, Agriculture Section -3, Govt. of U.P issued an order 4267/13-3-96-36/96, dt. 20 November, 1996, by which purchase of several items (like Water Tank, Tractor Trailer, Wheel Baros, All types of power and animal driven Agriculture machines, Transformer Carrier and Tea Guards etc) was made compulsory from U.P Agro (a state government enterprise). (**Copy of order enclosed at Annexure IV**). All these items are manufactured by Micro, Small & Medium Enterprises. Thus, these MSME units are deprived off supplying these items to all Govt. departments in U.P.

Department of Forest, Govt. of U.P is purchasing Tree Guards form U.P Agro at a much higher rate of RS. 993/- each, where as SSIs in U.P are ready to supply the same at Rs. 600/- each. IIA has been representing against these discriminatory practices through Udyog Bandhu and directly to Principal Secretary, Forest Department as well as Principal Secretary SSI, Govt. of U.P since May, 2006.

In response to IIA representation, the then Executive Director, Udyog Bandhu wrote to the Principal Secretary, SSI, Govt. of U.P, vide his DO UB/ED-Camp/2006-07/193, dt. 4.10.2006 that in order to promote Small Scale Industries in U.P, the reservation provided to Public Sector may be taken back in view of the changed situations since 1996. (**Copy of letter enclosed at Annexure-V**).

The matter was also taken up with Commissioner & Director Industries, U.P. He also recommended to the Principal Secretary, SSI, Govt of U.P to consider the proposal and request of IIA favourably and get the office order released to provide equal opportunity to the Small Scale Industries in U.P (**Copy of the letter of Commissioner & Director Industries U.P is enclosed at Annexure-VI**).

In spite of all these recommendations, the State Govt. Departments are still continuing with the purchase of Tree Guards & other items from single source i.e. U.P Agro at much higher price compared to the rates of Small Scale Industry.

3. **Non Purchase of ISI marked Bitumen Emulsion by U.P P.W.D form BIS approved, ISI mark holder & ISO : 9001-2000 certified SSI unit.**

M/s Petrochem Specialities, D-24, Industrial Estate, Near ITI, Merrut Road, Muzaffarnagar (U.P) is a SSI unit and is ISO: 9001-2000 certified. The unit is producing road care products. Their Bitumen Emulsion is approved from BIS and carry ISI mark. Their Bitumen Emulsion is available on DGS & D rate contracts also. They have been trying hard to supply their products to U.P P.W.D, but Provincial Division, Construction Division-1, 2 etc are denying purchasing their products and instead are purchasing it from Government PSUs like IOC and Hindustan Colas only, who don't have BIS certification or DGS&D Rate Contract.

These are few sample cases, being submitted to you to highlight the discrimination with MSME's. Similar practice is being adopted by few Central Government departments / undertakings also.

You are, therefore, requested to look into the matter for effective and permanent solution of these issues.

Thanking you,

Yours faithfully,

D.S.Verma
Executive Director