

**Purchase Preference Policy - for Development / Support for the larger involvement
Local Micro & Small Scale Industries in VSP purchases etc.**

With a view to develop Local Small Scale Industries in and around Vishakhapatnam, Vishakhapatnam Steel Plant has formulated certain policies. Apart from the promotional policies such as

- Promotion of development of items through trial order by Local MSEs.
- Make available the drawings of items suitable for development by Local MSEs.
- Supply of raw-materials to reduce the working capital requirement.
- Order placement on Local SSIs based on facilities / capabilities.
- TRAINING PROGRAMME FOR LOCAL MSEs: A provision up to 10% representation for local MSE Units has been made in the relevant training programme organized by T & DC for the VSP employees.

The policies include the following preferential policies for the promotion of local MSE i.e.

- Confinement of procurement to enlisted vendors for the **Items for which only Local MSEs are enlisted** irrespective of value of the indent and subject to price being reasonable
- **Restriction of enquiry for items up to value of Rs.20 Lakhs to Local MSE Units** provided registered Local MSEs are not less than five in number for the items for which both local and outstation vendors are enlisted.
- Items for which both local and outstation vendors are enlisted and value is more than **Rs.20 Lakhs**; confinement of procurement to enlisted vendors and inclusion of enlisted Local MSEs up to 4.
- Extension of purchase preference to local MSE in a mixed tender.
- Priority in release of payments to local MSE Units.(15 Days)

These measures are in addition to the polices such as

- Issue of tender sets free of cost
- Exemption from payment of Earnest Money.

Being extended to the MSMEs in general as per the government policy. These policies have been reviewed from time to time.

At present as a part of support for development and for larger involvement of local Small Scale Industries in VSP purchases the following Purchase Preference Policy is being followed.

Existing Purchase Preference

Local SSIs that are technically and commercially acceptable shall be considered for extension of Purchase Preference, if their offer is within 15% above L1 price and upon their matching with L1 price.

The distribution of order shall be in the following proportions.

- **Case 1 – Only one source is required and it is not possible to split the order.**

“The Order shall be placed on the eligible local SSI”

- **Case 2 – Where one source is required and it is possible to split the order**

“The order shall be distributed in the ratio of 60:40 to the eligible local SSI and the L-1 party”.

- **Case 3 – Where two sources are required**

“The Order shall be distributed in the ratio of 60:40 to eligible local SSI and the L-1 Party”.

- **Case 4 – Where more than two sources are required**

“The Order shall be split as below:

- i) 60% of the order shall be distributed among eligible local SSIs in the ratio of 60:40, 50:25:25 and so on to a maximum of (N-1) eligible local SSIs, where ‘N’ is the total number of sources required.

- ii) 40% of the order shall be and distributed to others in the ratio of 60:40, 50:25:25 and so on for the balance number of sources.

This Purchase Preference Policy is based on the DPE (Department of Public Enterprises) guidelines issued from time to time. It was in operation for the last 10 years.

However, with the introduction of MSME Act 2006 with effect from 1.10.2006, there is a need for reviewing the Purchase Preference Policy. Hence, it is proposed to call for a public hearing on Procurement Preference Policy to the local Industries on 12th June' 2010 in the Nagarjuna Hall, Center of HRD, Sector-V, Ukkunagaram, Visakhapatnam Steel Plant from 10.30 A.M onwards.