

GRC BULLETIN

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Case Law

Supreme Court of India Safeguards Micro Enterprises in
Government Procurement

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JUDICIAL INSIGHT

Case Title

*Stone Hill Education
Foundation Vs. Union of
India [WRIT PETITION
No.18486/2012 (L-PF)]*

SUPREME COURT OF INDIA SAFEGUARDS MICRO ENTERPRISES IN GOVERNMENT PROCUREMENT

FACTS OF THE CASE:

- The dispute revolves around the impact of government procurement policies on Micro and Small Enterprises (MSEs).
- Lifecare Innovations Pvt. Ltd., a micro-enterprise, contested specific eligibility criteria in government tenders, particularly the requirement of a minimum turnover.
- The petitioners claimed that such conditions contradicted the Public Procurement Policy for MSEs, 2012, which mandates that 25% of government procurement should be reserved for MSEs.
- The case involved the interpretation of the Micro, Small, and Medium Enterprises Development (MSMED) Act, 2006, and its implications for government contracts.

ISSUE:

Does the inclusion of a turnover-based eligibility requirement in government tenders violate the Public Procurement Policy for MSEs, 2012, by creating an unfair disadvantage for micro-enterprises?

SUPREME COURT'S VERDICT:

- The Supreme Court affirmed that the Public Procurement Policy for MSEs, 2012, is a legally binding framework that government agencies must follow.
- It ruled that imposing a turnover requirement in tenders disproportionately excludes micro-enterprises, contradicting the policy's goal of promoting small businesses.
- The court emphasized that procurement rules should not unfairly restrict MSE participation and must align with the MSMED Act, 2006.
- The decision underscored the importance of fostering fair competition in government contracts, ensuring that micro-enterprises receive the support intended under the law.
- Consequently, the court directed authorities to revise procurement criteria to uphold the objectives of the MSME policy.

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