

**GOVERNMENT OF INDIA  
COMMERCE AND INDUSTRY  
LOK SABHA**

UNSTARRED QUESTION NO:621

ANSWERED ON:26.11.2012

SOURCING NORMS FOR SINGLE/MULTI BRAND RETAIL

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**Will the Minister of COMMERCE AND INDUSTRY be pleased to state:**

- (a) whether the Government proposes to dilute/modify sourcing norms for single brand/ multi brand retail trading;
- (b) if so, the details thereof and the reasons therefor;
- (c) whether the removal of mandated sourcing norms for foreign retailers is likely to impact on the profitability of the Indian industries;
- (d) if so, the details thereof alongwith its impact on small scale units and local employment; and
- (e) the corrective steps taken/being taken by the Government to protect the interests of small scale units and to improve the financial health of the Indian industries?

**Answer**

THE MINISTER OF COMMERCE AND INDUSTRY (SHRI ANAND SHARMA)

(a): No, madam.

(b) to (d): Do not arise.

(e): Vide Press Note 4 (2012 series) issued on 20.09.2012 certain conditions relating to FDI in single brand product retail trading have been amended. The amended policy, inter-alia, includes the following condition in respect of proposals involving FDI beyond 51% in single brand product retail trading:-

"In respect of proposals involving FDI beyond 51%, sourcing of 30% of the value of goods purchased will be done from India, preferably from MSMEs, village and cottage industries, artisans and craftsmen, in all sectors. The quantum of domestic sourcing will be self-certified by the company, to be subsequently checked, by statutory auditors, from the duly certified accounts which the company will be required to maintain. This procurement requirement would have to be met, in the first instance, as an average of five years' total value of the goods purchased, beginning 1st April of the year during which the first tranche of FDI is received. Thereafter, it would have to be met on an annual basis. For the purpose of ascertaining the sourcing requirement, the relevant entity would be the company, incorporated in India, which is the recipient of FDI for the purpose of carrying out single brand product retail trading"

The above amended condition is expected to benefit Indian producers, including the Indian handicrafts sector, which provides livelihood to millions and is important from the point of low capital investment, high value-addition and high potential for export, as also to meet the critical need to integrate Indian producers with the domestic and global markets. Skill integration with craftsmen abroad is likely to help develop synergies with international brands and generate more employment. The consequential benefits, arising from the integration of global best practices in management, along with global standards in quality, design, packaging and production, are expected to assist in building capacities of local producers, by making it worthwhile for them to scale-up their production, thereby creating a multiplier effect on employment and income generation.

In respect of Government's decision to permit 51% FDI in multi brand retail trading, vide Press Note 5 (2012 series) dated 20.09.12, the following condition has interalia been prescribed:

"At least 30% of the value of procurement of manufactured/ processed products purchased shall be sourced from Indian 'small industries' which have a total investment in plant & machinery not exceeding US \$ 1.00 million. This valuation refers to the value at the time of installation, without providing for depreciation. Further, if at any point in time, this valuation is exceeded, the industry shall not qualify as a 'small industry' for this purpose. This procurement requirement would have to be met, in the first instance, as an average of five years' total value of the manufactured/ processed products purchased, beginning 1st April of the year during which the first tranche of FDI is received. Thereafter, it would have to be met on an annual basis"

The 30% mandatory sourcing condition for permitting 51% FDI in multi brand retail trading, is expected to encourage local value addition and manufacturing and thereby benefit small scale industries.