

GOVERNMENT OF INDIA
MINISTRY OF DEFENCE
DEPARTMENT OF DEFENCE PRODUCTION
LOK SABHA

UNSTARRED QUESTION NO.4908
TO BE ANSWERED ON THE 16TH DECEMBER, 2016

DEFENCE PRODUCTION BY MSME

4908. SHRI RAHUL SHEWALE:

Will the Minister of DEFENCE j{k k ea=h
be pleased to state:

- (a) whether the Government proposes to increase the participation of Micro, Small and Medium Enterprises (MSMEs) in the defence sector of the country;
- (b) if so, the details thereof including the areas of defence sector wherein the MSMEs can contribute;
- (c) whether MSMEs of the country have the potential or are in a position to meet the requirements / procurements being made by the defence sector in the country in a substantial manner;
- (d) if so, the details thereof along with the action plan prepared / chalked out by the Government to meet the defence requirements indigenously through MSMEs; and
- (e) the steps taken / proposed to be taken by the Government for ensuring aggressive presence of indigenous MSMEs in defence manufacturing?

A N S W E R

MINISTER OF STATE
IN THE MINISTRY OF DEFENCE

(DR. SUBHASH BHAMRE)

रक्षित राक्षस मंत्री

(डा. सुभाष भामरे)

(a) to (e): A Statement is attached.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (e) OF LOK SABHA UNSTARRED QUESTION NO. 4908 FOR ANSWER ON 16.12.2016

1. The Defence Production Policy aims at achieving substantive self-reliance in the design, development and production of equipment, weapon systems, platforms required for defence through several measures which, inter alia include enhancing the potential of SMEs in indigenisation.

2. The preamble to the Defence Procurement Procedure (DPP) – 2016, specifically mentions that enhancing the role of Micro, Small and Medium Enterprises (MSMEs) in the Defence Sector is one of the defining features of DPP. Following specific provisions have been introduced in DPP-2016 that would increase the participation of MSMEs in the defence sector:

2.1. In the 'Make' category of capital acquisition, Government funded projects with estimated cost of prototype development phase not exceeding Rs 10 crore and Industry funded projects with estimated cost of prototype development phase not exceeding Rs. 3 crore are reserved for MSMEs.

2.2. In addition, it has been mandated to involve MSME associations while carrying out feasibility studies for 'Make' projects. MSMEs have also been granted relaxation in the registration and profitability criteria for consideration as eligible "Indian Vendor" for participation in the 'Make' projects.

2.3. In the discharge of offset obligations, a multiplier of 1.50 is permitted where MSMEs are Indian Offset Partners (IOPs).

3. Government of India has notified the Public Procurement Policy for Micro and Small Enterprises (MSEs) Order, 2012 under which a minimum of 20% of the total annual procurement is made mandatory from Micro & Small Enterprises by Central Ministries / Departments / Public Sector Undertakings w.e.f. 1st April 2015.

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3.1. The aforesaid policy mandates that all the Micro and Small Enterprises registered with bodies designated/ specified by Ministry of MSME or having the Udyog Aadhaar Memorandum (UAM) will be issued tender set free of cost and exempted from payment of Earnest money, and will also be allowed to bring down their price to L1 level provided it has bid in the price band of L1+15%, by the Central Ministries / Departments / Central Public Sector Undertakings. In addition, 358 items are reserved for exclusive procurement from MSEs.

3.2. Additionally, Ministry of MSME has issued a circular dated 10 Mar 2016 which mandated that relaxation may be given by Central Ministries / Departments / Central Public Sector Undertakings in prior experience / prior turnover criteria to MSEs.

4. The capability and viability of the defence and aerospace industry is built on the strength of supply chains, in which the MSMEs are intricately intertwined. There are substantially large number of MSMEs across the country supplying components and sub-assemblies and systems to the Defence Public Sector Undertakings, Ordnance Factories, Defence Research and Development Organisation and private industries.

5. Ministry of Defence regularly conduct conferences and discussions through Annual seminars with an aim to strengthen long term plans and industry capability in defence procurement. Regular interaction with interested vendors / indigenous developers, including MSME units, through collegiate mechanism of procurement committee and pre-bid meetings are scheduled for clarification on various aspects of the procurement process.
