

GOVERNMENT OF INDIA
MINISTRY OF DEFENCE
DEPARTMENT OF DEFENCE PRODUCTION
LOK SABHA
UNSTARRED QUESTION NO.5495
TO BE ANSWERED ON THE 28TH MARCH, 2018
ENCOURAGEMENT TO SMEs

5495. SHRI RAJESH PANDEY:
SHRI KUNDARIYA MOHAN BHAI KALYANJI BHAI:

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

- (a) the contribution of Micro, Small and Medium Enterprises (MSMEs) sector towards indigenous manufacturing in defence sector under Make in India programme in the country at present;
- (b) whether the Government has fixed any target in this regard and if so, the details thereof;
- (c) whether the Government is encouraging the Small and Medium Enterprises (SMEs) in engineering sector for defence supply under Make in India;
- (d) if so, the details of the SMEs which have bagged the contract and the quantum of products supplied or to be supplied along with the net worth of the contract etc., State-wise; and
- (e) the details of the steps taken by the Government to increase the participation of SMEs contribution in engineering sector by way of simplifying the procedures for defence supply and if not, the reasons therefor?

A N S W E R

MINISTER OF STATE (DR. SUBHASH BHAMRE)
IN THE MINISTRY OF DEFENCE

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(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. 5495 FOR ANSWER ON 28.3.2018

(a) The contribution of MSEs towards total domestic procurement from vendors by OFB / DPSUs during the last three years is as follows:-

Financial Year	Procurement from MSEs by DPSUs / OFB (Rs. in Crore)
2014-15	3301.17
2015-16	3701.08
2016-17	4256.93

(b) & (c): The Government has notified Public Procurement Policy for Micro and Small Enterprises (MSEs), Order, 2012 under MSMED Act, 2006 which is effective from 1st April, 2012. It has become mandatory w.e.f 1st April 2015. The Policy has set an annual goal for procurement from the MSE sector at the beginning of the year, with the objective of achieving an overall procurement goal of minimum 20 per cent of the total annual purchases of the products or services produced or rendered by MSEs from the latter, in a period of three years. Out of 20% target of annual procurement from MSEs, a sub-target of 4% (i.e. 20% out of 20%) will be earmarked for procurement from MSEs owned by SC / ST entrepreneurs. However, in the event of failure of such MSEs to participate in the tender process or meet the tender requirements and the L1 price, the 4% sub-target for procurement earmarked for MSE owned by SC / ST entrepreneurs will be met from other MSEs.

(d) The States / UT wise data on procurement from MSMEs is not maintained in the Ministry.

(e) 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:

- (i) In '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.
- (ii) 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.
- (iii) In the discharge of offset obligations, a multiplier of 1.50 will be permitted where MSMEs are Indian Offset Partners (IOPs).
