

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

UNSTARRED QUESTION NO.4559
TO BE ANSWERED ON THE 12TH AUGUST, 2016

ROLE OF SMALL AND MEDIUM ENTERPRISES

4559. SHRI A.P. JITHENDER REDDY:
SHRI ANANDRAO ADSUL:
SHRI DHARMENDRA YADAV:
SHRI ADHALRAO PATIL SHIVAJIRAO:
SHRI SHRIRANG APPA BARNE:

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

- (a) the details of initiatives taken by the Government to enhance the role of Small and Medium Enterprises (SMEs) in the defence sector along with the mechanism developed to safeguard the interests of SMEs from international competitors;
- (b) whether the Government has fixed any target of defence procurement from SMEs by the year 2027 and if so, the details thereof along with the present level of defence procurement from SMEs;
- (c) the growth registered in the procurement of defence equipment / items from indigenous sources during the last two years and the current year;
- (d) whether there has also been consistent criticism of defence offset policy and the lack of participation of domestic industries in the defence sector; and
- (e) if so, the details thereof and the corrective measures taken by the Government in this regard?

A N S W E R

MINISTER OF DEFENCE

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(SHRI MANOHAR PARRIKAR)

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

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (e) OF LOK SABHA UNSTARRED QUESTION NO. 4559 FOR ANSWER ON 12.8.2016

- (i) The Government has taken several initiatives to enhance the role of MSMEs in the defence sector. Augmenting the role of MSMEs in defence sector is one of the defining features of Defence Procurement Procedure (DPP)-2016. In the DPP-2016, the 'Make' procedure has been recast wherein greater impetus has been provided to MSMEs, by reserving certain categories of 'Make' Projects exclusively for them. The eligibility criteria for Shortlisting Indian Vendors, for participation in 'Make' projects, has been made liberal for MSMEs. Besides this, a multiplier of 1.5 is permitted for discharging of offset obligations through MSMEs as Indian Offset Partner.
- (ii) In addition, the Government has launched various schemes for supporting MSMEs so that they can supply their products to various organizations including defence sector. The Lean Manufacturing Competitiveness Scheme was launched to improve the quality of the products of MSMEs. The MSMEs can upgrade their machinery under Credit Linked Capital Subsidy Scheme (CLCSS) and Technology Up-gradation Scheme (TEQUP). The units can also avail credit guarantee trust fund for MSEs to raise loan without collateral security for enhancing their competitiveness. MSMEs can also participate in Domestic and International Trade Fairs under Marketing Assistance and Technology Up-gradation (MATU) scheme.
- (iii) The Government of India has notified Public Procurement Policy for Micro and Small Enterprises (MSEs) Order, 2012, under which a minimum of 20% of the total annual procurement from Micro & Small Enterprises by Central Ministries / Departments / PSUs has become mandatory w.e.f. 1st April, 2015. The same is also applicable to the defence sector.
- (iv) The details of the total procurements of defence equipment from Indian Vendors and Foreign Vendors for the Armed Forces during the last two years and the current year are placed at Annexure.
- (v) Offset guidelines were introduced for the first time in DPP-2005 and have gradually evolved since then. Regular interactions / consultations are being held with the domestic industry association to address their concerns, if any and seek their inputs. The latest offset guidelines under DPP-2016 have been promulgated from 1st April, 2016.
- (vi) Offset implementation process has been made flexible by allowing change of Indian Offset Partners (IOPs) and offset components, even in signed contracts. Foreign Original Equipment Manufacturers (OEMs) are now not required to indicate the details of IOPs and products at the time of signing of contracts. Services as an avenue of offset have been re-instated with certain conditionalities.

**ANNEXURE REFERRED IN THE REPLY GIVEN IN THE STATEMENT IN PARTS
(a) TO (e) OF LOK SABHA UNSTARRED QUESTION NO. 4559 FOR ANSWER ON
12.8.2016**

EXPENDITURE ON PURCHASE OF DEFENCE EQUIPMENT

The expenditure on purchase of defence equipment for the three services in the last two years and current financial year, from the Foreign vendors and Indian vendors is as given below:-

(Rs. in crore)

	Total Procurement	Procurement from Foreign Vendors	Procurement from Indian Vendors
2014-15	77986.32	29159.69	48826.63
2015-16	76178.80	26190.46	49988.34
2016-17 (upto 30th June 2016)	9824.00	3317.54	6506.46
