

**File No: 8(78)/2010-IPHW  
Ministry of Communications and Information Technology  
Department of Electronics and Information Technology**

**Dated: April --, 2013**

**GUIDELINES FOR PROVIDING PREFERENCE TO DOMESTICALLY MANUFACTURED  
ELECTRONIC PRODUCTS IN GOVERNMENT PROCUREMENT**

**Reference: Policy Notification No. 8(78)/2010-IPHW dated 10.2.2012**

**1. Background**

1.1 The Government has notified the policy for providing preference to domestically manufactured electronic products in procurement due to security considerations and in Government procurement vide Notification No.8(78)/2010-IPHW dated 10.2.2012 (hereinafter called the Policy). Clause 8 of the said Policy states that detailed guidelines for operationalizing the policy would be issued after the policy is notified.

1.2 As per Clause 2.2.2, the policy is applicable for Government procurement, whereby the policy will be applicable to all Ministries/Departments (except Defence) and their agencies for electronic products purchased for Governmental purposes and not with a view to commercial resale or with a view to use in the production of goods for commercial sale. In furtherance of the Policy notified vide reference cited above, the following guidelines are issued for Government procurement.

**2. Definitions**

- i. "Bill of Material": Bill of Material (BOM), for the purposes of the Policy will be sum of costs of all inputs which go into the product (including duties and taxes levied on procurement of inputs except those for which credit / set-off can be taken) including parts, sub-parts, components, assemblies, manufacturing costs including cost of design and development/ assembling / testing/ sourcing/ power/ finance/ logistics/ insurance done in-house, and/or by external Electronic Manufacturing Service provider, royalties or licensee fee for IPR, and/or in-house R&D costs incurred/amortized to create IPR, embedded and other software integral to the device. The "profit after tax" and warranty cost of the manufacturer is not part of the BOM. Similarly, Sales and Marketing expenses including distribution charges, dealer commission, Branding and promotion are also not part of the BOM.
- ii. "Ex-factory price" is the price declared by the manufacturer of the electronic product. All duties and taxes levied on the electronic product shall not be part of ex-factory price.
- iii. "Bill of Material sourced from domestic manufacturers": BOM sourced from domestic manufacturers would be the sum of the costs of all inputs which go into the product (including duties and taxes levied on procurement of inputs except those for which credit / set-off can be taken) and which have not been imported. An imported material or service including royalty, IPR/technical fees, which is sold by a domestic trader or intermediary, shall not be considered as a domestically sourced BOM.
- iv. "Department of Electronics and Information Technology": Department of Electronics and Information Technology (DeitY) means the Department of Electronics and

- Information Technology, formerly called Department of Information Technology (DIT), Ministry of Communications and Information Technology, Government of India.
- v. "Department of Telecommunications": Department of Telecommunications (DOT) means the Department of Telecommunications, Ministry of Communications and Information Technology, Government of India.
  - vi. "Domestically Manufactured Electronic Products (DMEP)": Domestically Manufactured Electronic Products are those electronic products which are manufactured by entities that are registered and established in India, including in Special Economic Zones (SEZs), and engaged in manufacture of such electronic products in India and would include OEM and their Contract Manufacturers, but not traders. In addition, such products shall meet the criteria of domestic value-addition as laid down in the Policy, for being classified as DMEP.
  - vii. "Domestic Manufacturer": Domestic Manufacturer is a manufacturer of domestically manufactured electronic products (DMEP).
  - viii. "Generic Products": Generic Products in the context of this Policy are common electronic products which are extensively used across all sectors of economy and notified as such by DeitY or DOT.
  - ix. "Government": Government for the purpose of the Policy means Government of India.
  - x. "Government agencies": Government agencies are Constitutional bodies, Government PSUs, Societies, Trusts and Statutory bodies set up by the Government.
  - xi. "Inputs to an electronic product" include parts, sub-parts, components, assemblies, manufacturing costs including cost of design and development/ assembling/ testing/ sourcing/ power /finance /logistics/ insurance done in-house, and/or by external Electronic Manufacturing Service provider, royalties or licensee fee for IPR, and/or in-house R&D costs incurred/amortized to create IPR, embedded and other software integral to the specific product.
  - xii. "Managed Service Provider (MSP) for Government": A Managed Service Provider (MSP) for Government is a provider of Information Technology (IT) and Communication related services, who provides such services to Government by establishing Information Technology (IT) / Communication infrastructure. A Managed Service Provider includes System Integrators or Equipment Vendors, providing such services.
  - xiii. "Notification": Notification is an order issued under the Policy and Guidelines issued there under which specifies the preference to be provided to DMEP.
  - xiv. "Policy": The policy notified by DeitY vide Reference No.8(78)/2010-IPHW dated 10.2.2012.
  - xv. "Procurement of Electronic Products": Procurement of electronic products in the context of the Policy includes procuring service from Managed Service Providers for Government.
  - xvi. "Profit after Tax" would mean the net profit earned by the company after deducting all expenses like interest, depreciation and income tax.
  - xvii. "Verticals": Verticals in the context of electronic products are the entire line of products used in various segments of Electronic Hardware sector, and include Telecom; Mobile and hand held devices; Broadcasting; IT and Office Automation; Consumer electronics and Mass communication products; Automotive electronics; Industrial electronics; Electronic Test, Measuring and Analytical Instruments; LED products; Smart cards; Radio-frequency identification (RFID); Avionics; Strategic Electronics including Defense, Space and Atomic Energy; Medical electronics; Solar photovoltaics; power electronics.
  - xviii. "Year 1": Year 1 in the context of this Policy means Financial Year (FY) in which the relevant notification providing for preference for a given electronic product comes into effect. The FY will be the year beginning on the 1st April and ending on the 31st

March of the succeeding year. However, if a product is notified on or after 1st September of an year, the year '1' would extend to 31st March of the succeeding FY.

### **3. Notifying electronic products procured by Government**

3.1 Each Ministry/Department shall identify the electronic products, under various verticals of electronic sector, which Government and Government agencies procure for Governmental purposes and not with a view to commercial resale or with a view to use in the production of goods for commercial sale.

3.1.1 The following guidelines may be used for identifying and notifying the electronic products under each vertical, under the Policy:

- a. The objective of the Policy is to eventually notify all electronic products which are procured by Government and Government agencies for Governmental purposes and not with a view to commercial resale or with a view to use in the production of products for commercial sale. Electronic products that are used as sub-systems in a larger system/project procured by Government or Government Agency shall also be covered by the Policy.
- b. An analysis of the domestic manufacturing base needs to precede the identification of an electronic product for notification under the Policy. Only those electronic products in respect of which at least one domestic manufacturer exists, shall be notified. Consultation with industry, as necessary, may be carried out.
- c. The configuration / specifications representative of the entire range of a product should be categorized in a single notification. For example, there may be a separate notification for Desktop PCs, Servers and Tablets, but all Desktop PCs, with different configurations, may be clubbed under a single notification.
- d. Since identification of all electronic products cannot be taken up simultaneously, the products having high value of procurement in Government and Government agencies may be identified for notification on priority.
- e. Departments shall publish their prospective annual demand for Government procurement of electronic products over the next 5 years, with the objective of encouraging development/investment in manufacturing of such products. The projections by the Ministries/ Departments to provide extended projections of likely demand of electronic products to facilitate industry to gear production capacities should be based on well considered and approved plans.

3.2 Each Ministry/Department shall notify those electronic products for which preference will be provided in procurement to the DMEP as per the Policy.

3.2.1 Each such "Notification" will specify the date from which the said preference will come into effect.

3.3 While notifying electronic products under clause 3.2.1 above, the Ministry/Department shall

- a. state the technical specifications, as necessary, to describe the electronic products;
- b. specify, percentage of total procurement in value terms, for which preference is provided to DMEP, in terms of clause 2.2.3 of the Policy;
- c. specify product wise, as well as year-wise, the quantum of domestic value-addition which qualifies the electronic product to be DMEP, in terms of clause 2.3 of the Policy;

Provided that the domestic value-addition so prescribed shall not be below the threshold prescribed under the Policy.

Provided further that the value addition required for inputs of the product to be classified as domestically manufactured Bill of Material may also be specified.

Provided further that, "Year 1" as mentioned in Table of the Policy under clause 2.3, shall be reckoned from the date from which the relevant notification providing for preference for a given electronic product comes into effect.

3.3.1 The percentage of total procurement value for which preference to DMEP is to be provided under clause 3.3 (b) may be based on following guidelines:

- a. The minimum percentage of domestic procurement for any electronic product notified is 30%.
- b. The percentage of total procurement value for which preference is provided to DMEP should be so fixed that competition is maximized while at the same time domestic manufacturing is encouraged.
- c. The decision should be taken after an analysis of the domestic manufacturing base including the available production capacities with the indigenous manufacturers and their number as well as that of their suppliers of inputs, which should inter-alia meet the value addition norms proposed to be notified.
- d. This would also depend on the availability of multiple domestic manufacturing units with sufficient capacities, so that the requirement of Government Ministries/Departments and Government agencies can be fulfilled without compromising on timelines and quality. The after-sales service support network of domestic manufacturer/s also needs to be factored in. However, if there is only one domestic manufacturer, the percentage of procurement for which preference to DMEP is provided should normally be 30%.
- e. The percentage of procurement, especially for items being procured in small numbers, with generally high value, will depend on the fractions practically possible given the units of procurement.

3.4 The Department of Electronics and Information Technology (DeitY) would notify generic products, an indicative list of which is at **Annexure 1**.

3.5 The Department of Telecommunications (DOT) would notify generic products relating to Telecom and Networks, an indicative list of which is at **Annexure 2**.

Provided that Ministry of Railways may specify products relating to telecom and networks for use in the Railways.

3.6 The provisions of Clause 3 are applicable to all Ministries/Departments and agencies under their control but shall not be applicable to Ministry of Defence.

3.7 No notification under the Policy shall have retrospective effect.

#### **4. Prescribing Value-addition of electronic products**

4.1 A technical committee may be constituted by the concerned Ministry/ Department to make recommendations on the domestic value addition. The following guidelines may be kept in view:

4.1.1 Identify main inputs and ascertain the percentage of contribution of each input to the Bill of Material (BOM). The granularity at which the inputs need to be identified (i.e. the number of inputs) should not be large and should be based on industry practices.

4.1.2 DeitY would separately publish from time to time, the inputs that commonly go into electronic products and value addition therein that would be accepted for such input to be classified as domestic BOM.

4.1.3 Ascertain status of domestic manufacturing of each of the inputs identified in clause 4.1.1 above. Wherever, the input is already included in the list published by DeitY referred to in clause 4.1.2, the norms in value addition specified therein would be adopted. For all other inputs the Committee may ascertain and prescribe what would entitle the input to be classified as domestic. The effort should be to progressively increase the domestic value-addition of each of the inputs to the electronic product.

4.1.4 The value-addition norm should be so calibrated that it reflects the average/slightly above average manufacturing capability of the domestic industry for that electronic product at a point of time. This should be suitably increased as per the Policy or faster, depending on the depth in manufacturing achieved for the electronic product.

## **5. Tender procedure for procurement by Government and Government Agencies**

5.1 The procuring agencies, whether Government Ministries/Departments or other government agencies, shall follow standard procurement procedures, in accordance with instructions of Ministry of Finance and CVC, while providing preference to DMEP.

5.2 The tender document for procuring notified electronic products should explicitly specify the modalities through which the preference for DMEP shall be operated. The details, apart from usual tender conditions, should specify the following:

- a. The electronic products for which preference will be provided to domestic manufacturers.
- b. Total quantity of procurement and the quantity of procurement for which the preference will be provided to domestic manufacturers.
- c. Percentage of domestic value addition which qualifies the electronic product to be classified as domestically manufactured.
- d. The procedure for certification and assessment of the percentage of domestic value-addition in an electronic product.
- e. The preference to DMEP shall be subject to meeting technical specifications and matching the L1 price.
- f. The procedure for awarding the contract to DMEP and the treatment of the quantity earmarked for domestic manufacturer if no domestic manufacturer is available, in accordance with the clause 4.2.2 of the policy.

5.3 For each electronic product proposed to be procured, among all technically qualified bids, the lowest quoted price will be termed as L1 and the rest of the bids shall be ranked in ascending order of price quoted, as L2, L3, L4 and so on. If L1 bid is of a domestic manufacturer, the said bidder will be awarded full value of the order. If L1 bid is not from a domestic manufacturer, the value of the order awarded to L1 bidder will be the balance of procurement value after reserving specified percentage of the total value of the order for the eligible domestic manufacturer. Thereafter, the lowest bidder among the domestic manufacturers, whether L2, L3, L4 or higher, will be invited to match the L1 bid in order to secure the procurement value of the order earmarked for the domestic manufacturer. In case first eligible bidder (i.e. domestic manufacturer) fails to match L1 bid, the bidder (i.e. domestic manufacturer) with next higher bid will be invited to match L1 bid and so on. In case all eligible domestic manufacturers fail to match the L1 bid, the actual bidder holding L1 bid will secure the order for full procurement value. Only those domestic manufacturers whose bids are within 15% of the L1 bid would be allowed an opportunity to match the L1 bid.

5.4 Requirements of prior experience or any other restrictive conditions, which make a domestic manufacturer ineligible to participate or put them in a relative disadvantage vis-à-vis other competitors shall not be specified as qualification criteria of the tender. However, procuring Department/agency may incorporate such stipulations as may be considered necessary to satisfy themselves of the production capability and product quality of the domestic manufacturer.

## 6. Value addition

6.1 Bill of Material sourced from domestic manufacturers (Dom-BOM) may be calculated based on one of the following depending on data available. Each of these calculations should provide consistent result.

- a. sum of the costs of all inputs which go into the product (including duties and taxes levied on procurement of inputs except those for which credit / set-off can be taken) and which have not been imported directly or through a domestic trader or an intermediary.
- b. Ex-Factory Price of product minus profit after tax minus sum of imported Bill of Material used (directly or indirectly) as inputs in producing the product (including duties and taxes levied on procurement of inputs except those for which credit / set-off can be taken) minus warranty costs.
- c. Market price minus post-production freight, insurance and other handling costs minus profit after tax minus warranty costs minus sum of Imported Bill of Material used as inputs in producing the product (including duties and taxes levied on procurement of inputs except those for which credit / set-off can be taken) minus sales and marketing expenses.

6.2 Total Bill of Material (Total-BOM) may be calculated based on one of the following depending on data available. Each of these calculations should provide consistent result.

- a. sum of the costs of all inputs which go into the product (including duties and taxes levied on procurement of inputs except those for which credit / set-off can be taken).
- b. Ex-Factory Price of product minus profit after tax, minus warranty costs.
- c. Market price minus post-production freight, insurance and other handling costs minus profit after tax, minus warranty costs minus sales and marketing expenses.

6.3 The percentage of domestic value-addition may be calculated based on information furnished as per the following formula:

$$\text{Percentage of domestic value-addition} = (\text{Dom-BOM}/\text{Total-BOM}) * 100$$

It is recommended that each agency assessing should calculate the domestic value-addition using at least two of the above formulae so as to validate the assessments in this regard and ensure that the domestic value addition that is claimed is consistent.

6.4 The Department of Electronics and Information Technology shall constitute one or more Industry Committees which may advise the Department regarding the profit, freight, insurance and handling charges or typical globally accepted value addition norms for each product/verticals or any other specific references made to it.

## 7. Self-Certification

7.1 Each domestic manufacturer shall furnish a certificate to the procuring agency declaring that the electronic product is domestically manufactured in terms of the domestic value addition prescribed. The certificate shall be furnished in **Form 1** attached to these guidelines.

7.2 It shall be the responsibility of the domestic manufacturer to ensure that the products so claimed are DMEP in terms of the domestic value addition prescribed for the product. The domestic manufacturer shall also be required to provide a value-addition certificate on half-yearly basis (Sep 30 and Mar 31), duly certified by the statutory Auditors of the domestic manufacturer, that the claims of value-addition made for the product during the preceding 6 months are in accordance with the Policy. Such certificate shall be filed within 60 days of commencement of each half year, to the concerned Ministry / Department.

7.3 The procuring agency shall satisfy itself regarding the correctness of the domestic value-addition based on the certificate furnished. In case of any doubt, it may refer the matter to STQC/ Telecommunications Engineering Centre (TEC) (for telecom products) or any other third party testing laboratories or technical auditors accredited by the Department of Electronics and Information Technology for the purpose.

7.4 The cost of assessing the extent of domestic value addition shall be borne by procuring agency if the domestic value addition is found to be correct as per the certificate. However, if it is found that the domestic value addition as claimed is incorrect, the cost of assessment will be payable by the domestic manufacturer who has furnished an incorrect certificate. The manner of enforcing the same shall be defined in the tender document.

7.5 Each Ministry / Department will publish a list of such entities of testing laboratories and agencies from among those accredited by DeitY, which may be entrusted with the responsibility of assessing domestic value addition of DMEPs, in terms of clause 7.3 above and to whom reference would be made along with the timeframe for completion of this activity by those institutions and the charges to be paid to them.

## **8. Compliance**

8.1 Every Ministry/Department shall monitor the implementation of the policy.

8.2 With respect to preference to DMEP in government procurement each Ministry/Department shall ensure that

- a. electronic products are notified under Clause 3 of these guidelines
- b. concerned Government Ministries/Departments and Government agencies provide preference to DMEP as notified.
- c. preference to DMEP is provided at L1 price and without compromise in technical specifications.
- d. Restrictive tender conditions are not specified, as per clause 5.4
- e. e Aggregation of demand, wherever feasible, is being done.
- f. Extended projection of electronic products which can be procured domestically is published for a prospective period of 5 years to enable domestic industry to gear up manufacturing facility for the same.
- g. Complaints regarding lack of compliance of the policy are addressed in a time bound manner.
- h. Each Ministry / Department shall clearly define the penalties, in case of mis-declaration by domestic manufacturer of the extent domestic value addition, in the tender document. The penalties may include forfeiting of the EMD and such other penalties, as may be prescribed by the concerned Ministry / Department in the tender document.

## **9. Monitoring**

9.1 Department of Electronics and Information Technology (DeitY) shall be the nodal Department to monitor the implementation of the scheme.

9.2 Each Ministry/Department shall annually, in the month of June, send a declaration indicating the extent of compliance to the policy and reasons for non-compliance thereof, during the preceding financial year.

#### **10. Reference to Department of Electronics and Information Technology**

In case of a question whether an item being procured is an electronic product to be covered under the policy, the matter would be referred to the Department of Electronics and Information Technology (DeitY) for clarification.

**(Dr. Ajay Kumar)**  
**Joint Secretary to Government of India**  
**Tel.: 24360160**

**New Delhi, Dated .....**

**Copy to:**

- 1. All Ministries/Departments of Government of India**
- 2. Cabinet Secretariat**
- 3. PMO**
- 4. Planning Commission**
- 5. Comptroller and Auditor General of India**
- 6. AS&FA, Department of Electronics and Information Technology**
- 7. Internal Distribution**

**(Dr. Ajay Kumar)**  
**Joint Secretary to Government of India**  
**Tel.: 24360160**



## Annexure 1

<b>Indicative List of Generic Products Sl. No.</b>	<b>Items</b>
1	Notebooks and Netbooks
2	Tablets
3	Desktops
4	Servers
5	Printers
6	Keyboards
7	Monitors
8	Storage USBs, Memory Cards
9	CCTV and Surveillance Cameras
10	ATMs
11	Photocopiers
12	Scanners
13	Faxes
14	Smart Cards
15	Mobile Handsets
16	Hand Held Terminals
17	PC Projector
18	POS based devices

## Annexure 2

Indicative List of Telecom and Network Products Sl. No.	Items
1	SIM Cards (Personalisation and OS in India)
2	Encryption/UTM platforms (TDM and IP)
3	Core/Edge/Enterprise routers
4	Managed Leased line Network equipment
5	Ethernet Switches (L2 and L3), Hubs, etc.
6	IP based Soft Switches, Media gateways
7	Wireless/Wireline PABXs
8	CPE (including WiFi Access points and Routers, Media Converters), 2G/3G Modems, Leased-line Modems, data cards etc.
9	Set-Top Boxes
10	SDH/Carrier-Ethernet/Packet Optical Transport equipments
11	DWDM/CWDM systems
12	GPON equipments
13	Digital Cross-connects/MUXs
14	Small size 2 G/3 G GSM based Base Station Systems
15	GSM 2G&3G/4G, CDMA based wireless Access Systems including BTS, BSC, MSC, Media gateway, media server, GGSN, SGSN, Node B , RNC, E Node B, EPC, HLR, SMSC & other subsystems
16	LTE based broadband wireless access systems (eNodeB, EPC etc.)
17	WiFi based broadband wireless access systems (Access Point, Aggregation Block, Core Block, etc.)
18	Microwave Radio systems (IP/Hybrid)
19	Software Defined Radio, Cognitive Radio systems
20	Repeaters (RF/RF-over-Optical), IBS, and Distributed Antenna system
21	Satellite based systems –Hubs, VSAT, etc.
22	Copper access systems (DSL/DSLAM), Optical Fibre, Optical Fibre Cable
23	Network Management systems
24	Security and surveillance communication systems (video and sensors based)

**Format for Self Certification regarding Domestic Value Addition in an Electronic Product**

**Date:**

I \_\_\_\_\_ **S/o, D/o, W/o** \_\_\_\_\_, Resident of \_\_\_\_\_ do hereby solemnly affirm and declare as under:

1. That I will agree to abide by the terms and conditions of the policy of Government of India issued vide Notification No: 8(78)/2010-IPHW dated 10.2.2012.

2. That the information furnished hereinafter is correct to best of my knowledge and belief and I undertake to produce relevant records before the procuring authority or any authority so nominated by the Department of Electronics and Information Technology, Government of India for the purpose of assessing the domestic value-addition.

3. That the domestic value addition for all inputs which constitute the said electronic product has been verified by me and I am responsible for the correctness of the claims made therein.

4. That in the event of the domestic value addition of the product mentioned herein is found to be incorrect and not meeting the prescribed value-addition norms, based on the assessment of an authority so nominated by the Department of Electronics and Information Technology, Government of India for the purpose of assessing the domestic value-addition, I will be disqualified for getting any domestic market preference for a period of 36 months. In addition, I will bear all costs of such an assessment.

5. That I have complied with all conditions referred to in the Notification No. wherein preference to domestically manufactured electronic products in Government procurement is provided and that the procuring authority is hereby authorized to forfeit and adjust my EMD and other security amount towards such assessment cost and I undertake to pay the balance, if any, forthwith.

6. I agree to maintain the following information in the Company's record for a period of 8 years and shall make this available for verification to any statutory authorities.

- i. Name and details of the Domestic Manufacturer (Registered Office, Manufacturing unit location, nature of legal entity)
- ii. Date on which this certificate is issued
- iii. Electronic Product for which the certificate is produced
- iv. Procuring agency to whom the certificate is furnished
- v. Percentage of domestic value addition claimed
- vi. Name and contact details of the unit of the manufacturer
- vii. Sale Price of the product

- viii. Ex-Factory Price of the product
- ix. Freight, insurance and handling
- x. Total Bill of Material
- xi. List and total cost value of inputs used for manufacture of the electronic product
- xii. List and total cost of inputs which are domestically sourced. Please attach certificates from suppliers, if the input is not in-house.
- xiii. List and cost of inputs which are imported, directly or indirectly

**For and on behalf of \_\_\_\_\_ (Name of firm/entity)**

Authorized signatory (To be duly authorized by the Board of Directors)  
**<Insert Name, Designation and Contact No.>**

Government procurement is provided and that the procuring authority is hereby authorized to forfeit and adjust my EMD and other security amount towards such assessment cost and I undertake to pay the balance, if any, forthwith.

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i. Name and details of the Domestic Manufacturer (Registered Office, Manufacturing unit location, nature of legal entity)

ii. Date on which this certificate is issued

iii. Electronic Product for which the certificate is produced

iv. Procuring agency to whom the certificate is furnished

v. Percentage of domestic value addition claimed

vi. Name and contact details of the unit of the manufacturer

vii. Sale Price of the product

viii. Ex-Factory Price of the product

ix. Freight, insurance and handling

x. Total Bill of Material

xi. List and total cost value of inputs used for manufacture of the electronic product

xii. List and total cost of inputs which are domestically sourced. Please attach certificates from suppliers, if the input is not in-house.

xiii. List and cost of inputs which are imported, directly or indirectly

**For and on behalf of \_\_\_\_\_ (Name of firm/entity)**

Authorized signatory (To be duly authorized by the Board of Directors)

**<Insert Name, Designation and Contact No.>**