

F.No.33(5)/2017-IPHW
Government of India
Ministry of Electronics and Information Technology
(IPHW Division)

Electronics Niketan, New Delhi

Dated: 01st August, 2018

NOTIFICATION

Subject: Public Procurement (Preference to Make in India) Order 2017-Notifying Cellular Mobile Phones in furtherance of the Order

Reference: 1. Department of Industrial Policy & Promotion (DIPP) Order No. P-45021/2/2017-B.E.-II dated 15.06.2017 and subsequent revision vide Order No. P-45021/2/2017-PP(BE-II) dated 28.05.2018

2. Ministry of Electronics and Information Technology Notification No. 33(1)/2017-IPHW dated 14.09.2017

The Government has issued Public Procurement (Preference to Make in India) Order 2017 vide the Department of Industrial Policy and Promotion (DIPP) Order No.P-45021/2/2017-B.E.-II dated 15.06.2017 and subsequent revision vide Order No. 45021/2/2017-PP(BE-II) dated 28.05.2018 to encourage 'Make in India' and to promote manufacturing and production of goods and services in India with a view to enhancing income and employment.

2. In furtherance of the aforesaid Public Procurement (Preference to Make in India) Order 2017, the Ministry of Electronics and Information Technology (MeitY) hereby notifies that preference shall be provided by all procuring entities to domestically manufactured Cellular Mobile Phones as per the aforesaid Order. This Notification is issued to encourage 'Make in India' and all manufacturers of Cellular Mobile Phones (Indian companies as well as foreign companies), would benefit from the Notification, without discrimination. The details are as follows:

3. Cellular Mobile Phones

(A) Definition:

For the purpose of this Notification, a Cellular Mobile Phone (Feature Phone or Smart Phone) shall necessarily consist of a Main Printed Circuit Board (PCB), Battery Pack, Display Unit, Key Pad/ Touch Panel, Charger/ Adapter, Microphone & Receiver, Vibrator Motor/ Ringer and Mechanics.

(B)

Percentage of procurement for which preference to domestically manufactured Cellular Mobile Phones is to be provided (in value terms)	Percentage domestic value addition in terms of Bill of Material (BOM) required for the Cellular Mobile Phones to qualify as domestically manufactured
50%	50%

(C) Criteria for BOM to be classified as domestic:

The domestic BOM of Cellular Mobile Phones would be the sum of the cost of main inputs as specified in Column 1 of the following table, provided the inputs individually satisfy the value addition requirement specified in Column 2 of the table:

Main inputs in BOM/stages for manufacture of Cellular Mobile Phone	Value addition required for the input to be classified as domestic BOM
1	2
Main PCB*	Domestic assembly and testing from imported/ indigenously manufactured parts and components including Processor and Semiconductor** BOM (i.e the Semiconductor Chips and Modules on Main PCB), and excluding value of bare PCB
Bare PCB	Domestically manufactured from imported/ indigenously manufactured inputs
Battery Pack	Domestic assembly and testing of imported/ indigenously manufactured inputs
Charger/ Adapter	Domestic assembly and testing from imported/ indigenously manufactured inputs
Wired Headset	Domestic assembly and testing from imported/ indigenously manufactured inputs
Mechanics***	Domestic assembly and testing from imported/ indigenously manufactured inputs
Die Cut Parts****	Domestic assembly and testing from imported/ indigenously manufactured inputs
Microphone and Receiver	Domestic assembly and testing from imported/ indigenously manufactured inputs

Main inputs in BOM/stages for manufacture of Cellular Mobile Phone	Value addition required for the input to be classified as domestic BOM
Key Pad	Domestic assembly and testing from imported/ indigenously manufactured inputs
USB Cable	Domestic assembly and testing from imported/ indigenously manufactured inputs
Camera Module	Domestic assembly and testing from imported/ indigenously manufactured inputs
Connectors	Domestic assembly and testing from imported/ indigenously manufactured inputs
Display Unit	Domestic assembly and testing from imported/ indigenously manufactured inputs
Touch Panel/ Cover Glass Assembly	Domestic assembly and testing from imported/ indigenously manufactured inputs
Vibrator Motor/ Ringer	Domestic assembly and testing from imported/ indigenously manufactured inputs
(i) Final Assembly and Testing (ii) Design and Development	(i) Domestically assembled/tested and (ii) Intellectual Property (IP) resident in India for any of the above items. The value of IP resident in India for any of the above items shall be reduced from its value in the domestic BOM

* It is essential that the Printed Circuit Board Assembly (PCBA) of the processor/ components on the bare PCB using the SMT process should mandatorily be done in India.

** This shall be reviewed when the Semiconductor FAB in India is operational

***Refer Annexure

4. The Notification comes into effect immediately and would be reviewed after 31.03.2019.

5. This Notification shall remain valid till the revised Notification is issued.

6. The Notification shall also be applicable to the Domestically Manufactured Electronic Products (DMEPs) covered in turnkey/ system integration projects. In such cases the preference to DMEPs would be applicable only for the value of notified DMEPs forming part of the turnkey/ system-integration projects and not on the value of whole project.

7. Procedure for calculating local content/ domestic value addition

7.1 Bill of Material sourced from domestic manufacturers (Dom-BOM) may be calculated based on one of the followings 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 BOM 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 BOM 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.

7.2 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.

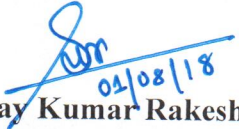
7.3 The percentage of domestic value-addition may be calculated based on information furnished as per the following formula:

$$\text{Percentage of domestic value-addition} = \frac{\text{Dom-BOM}}{\text{Total-BOM}} \times 100$$

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

8. Verification of local content/ Domestic Value Addition

- a. The local supplier at the time of tender, bidding or solicitation shall provide self-certification that the item offered meets the minimum local content and shall give details of the location(s) at which the local value addition is made.
- b. In cases of procurement for a value in excess of Rs. 10 crores, the local supplier shall provide a certificate from the statutory auditor or cost auditor of the company (in the case of companies) or from a practising cost accountant or practising chartered accountant (in respect of suppliers other than companies) giving the percentage of local content.
- c. In case a complaint is received by the procuring agency or the concerned Ministry/Department against the claim of a bidder regarding local content/ domestic value addition in an electronic product, the same shall be referred to STQC.
- d. Any complaint referred to STQC shall be disposed off within 4 weeks. The bidder shall be required to furnish the necessary documentation in support of the domestic value addition claimed in an electronic product to STQC. If no information is furnished by the bidder, such laboratories may take further necessary action, to establish the bonafides of the claim.
- e. A complaint fee of Rs.2 Lakh or 1% of the value of the domestically manufactured electronic products being procured (subject to a maximum of Rs. 5 Lakh), whichever is higher, to be paid by Demand Draft to be deposited with STQC. In case, the complaint is found to be incorrect, the complaint fee shall be forfeited. In case, the complaint is upheld and found to be substantially correct, deposited fee of the complainant would be refunded without any interest.
- f. False declarations will be in breach of the Code of Integrity under Rule 175(1)(i)(h) of the General Financial Rules (GFR) for which a bidder or its successors can be debarred for up to two years as per Rule 151 (iii) of the GFR along with such other actions as may be permissible under law.
9. MeitY shall be the nodal Ministry to monitor the implementation of the Notification.

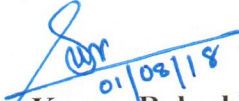

(Sanjay Kumar Rakesh)

Joint Secretary to Government of India
Tel.: 24363071

New Delhi, Dated: 01.08.2018

Copy to:

- 1. All Ministries/Departments of Government of India**
- 2. Cabinet Secretariat**
- 3. PMO**
- 4. NITI Aayog**
- 5. Joint Secretary (DIPP), Member-Convener of Standing Committee of Public Procurement Order 2017**
- 6. Comptroller and Auditor General of India**
- 7. AS&FA, Ministry of Electronics and Information Technology**
- 8. Internal Distribution**


(Sanjay Kumar Rakesh)

Joint Secretary to Government of India

Tel.: 24363071

Indicative List of Mechanics and Die Cut Parts

A. Mechanics

1. Battery Cover (HS 39209999)
2. Front Cover (HS 39209999)
3. Front Cover (With Zinc Casting) (HS 39209999)
4. Middle Cover (HS 39209999)
5. GSM Antenna/ Antenna of any technology (HS 39209999)
6. Side Key (HS 85389000)
7. Main Lens (HS 39209999)
8. Camera Lens (HS 39209999)
9. Screw (HS 73181500)
10. Mic Rubber Case (HS 40169990)
11. Sensor Rubber Case/ Sealing Gasket including sealing gaskets/ cases from Rubbers like SBR, EPDM, CR, CS, Silicone and all other individual rubbers or combination/ combinations of rubbers (HS 40169990)
 - 11.1 PU Case/ Sealing Gasket (HS 39269091) - Other articles of Polyurethane foam like sealing gaskets/ cases.
 - 11.2 Sealing Gaskets/ Cases from PE, PP, EPS, PC and all other individual polymers or combination/ combinations of polymers (HS 39269099)
12. SIM Socket/ Other Mechanical items (Metal) (HS 73269099)
13. SIM Socket/ Other Mechanical items (Plastic) (HS 39269099)
14. Back Cover (HS 39209999)

B. Die Cut Parts

1. Conductive Cloth (HS 39269099)
2. Heat Dissipation Sticker Battery Cover (HS 39199090)
3. Sticker-Battery Slot (HS 39199090)
4. Protective Film for Main Lens (HS 39199090)
5. Mylar for LCD FPC (HS 39199090)
6. LCD Conductive Foam (HS 39269099)
7. Film-Front Flash (HS 39199090)
8. LCD Foam (HS 39269099)
9. BT Foam (HS 39269099)

