

F.No.33(3)/2013-IPHW
Ministry of Communications and information Technology
Department of Electronics and Information Technology

Dated: 22nd May, 2014

NOTIFICATION

Subject: Policy for Preference to domestically manufactured electronic goods in Government procurement - Notifying electronic products for Government Procurement in furtherance of the Policy

Reference: Notification No.33(3)/2013-IPHW dated 23.12.2013

The Government has notified the policy for providing preference to domestically manufactured electronic products in Government procurement vide the Department of Electronics and Information Technology (DeitY) Notification No.33(3)/2010-IPHW dated 23.12.2013 (hereinafter called the Policy).

2. As per Clause 2.1.1, the policy would be applicable to all Ministries/Departments (except Ministry of 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.

3. In furtherance of the policy notified vide reference cited above, DeitY hereby notifies that preference shall be provided by all Ministries/Departments (except Ministry of Defence) and agencies under their administrative control to domestically manufactured Smart Cards as per the said policy. The details are as follows:

Smart Cards

(A) Definition:

For the purpose of this Notification, Smart Card is usually a Credit Card sized plastic Card with an Integrated Circuit (IC) contained inside. The IC contains a microprocessor and memory. Smart Cards can be contact, contactless or dual interface (both contact and contactless). Some of the applications of Smart Card are Identity Card, Banking Card, Health Card, Vehicle Registration Card etc.

I(B) Contact Smart Cards

Percentage of procurement for which preference to domestically manufactured Contact Smart Cards is to be provided (in value terms)	Percentage domestic value addition in terms of Bill of Material (BOM) required for Contact Smart Cards to qualify as domestically manufactured
50%	30% in Year 1 45% in Year 2 65% in Year 3 onwards*

I(C) Criteria for BOM to be classified as domestic for Contact Smart Cards

The domestic BOM of Contact Smart Card 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 Contact Smart Card	Value addition required for the input to be classified as domestic BOM
1	2
Plastic Card Body	Domestic manufacturing including sheet cutting & punching, printing, lamination and testing using imported/ indigenously manufactured raw material, parts and components
IC Chip Module	Domestic assembly, packaging and testing of IC Chip Module using imported / indigenously manufactured raw material, parts and components *
Milling and Embedding of IC Chip Module on Plastic Card	Milling and Embedding of IC Chip Module on Plastic Card done domestically
(i) Final Assembly and Testing (ii) Design/ Development	(i) Domestically assembled/tested and (ii) Intellectual Property (IP) resident in India for any of the above items, including fusion of domestically developed Operating System. The value of IP resident in India for any of the above items shall be reduced from its value in domestic BOM

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

II(B) Contactless Smart Cards (includes dual interface cards)

Percentage of procurement for which preference to domestically manufactured Contactless Smart Cards is to be provided (in value terms)	Percentage domestic value addition in terms of Bill of Material (BOM) required for Contactless Smart Cards to qualify as domestically manufactured
50%	40% in Year 1 50% in Year 2 70% in Year 3 onwards*

II(C) Criteria for BOM to be classified as domestic for Contactless Smart Cards

The domestic BOM of Contactless Smart Card 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 Contactless Smart Card	Value addition required for the input to be classified as domestic BOM
1	2
Plastic Card Body	Domestic manufacturing including sheet cutting & punching, printing, lamination and testing using imported/ indigenously manufactured raw material, parts and components
Card inlay (Antenna)	Domestic assembly and testing from imported / indigenously manufactured raw material, parts and components
IC Chip Module	Domestic assembly, packaging and testing of IC Chip Module using imported / indigenously manufactured raw material, parts and components *
Milling and Embedding of IC Chip Module on Plastic Card	Milling and Embedding of IC Chip Module on Plastic Card done domestically
(i) Final Assembly and Testing	(i) Domestically assembled/tested and
(ii) Design/ Development	(ii) Intellectual Property (IP) resident in India for any of the above items, including fusion of domestically developed Operating System. The value of IP resident in India for any

Main inputs in BOM/stages for manufacture of Contactless Smart Card	Value addition required for the input to be classified as domestic BOM
	of the above items shall be reduced from its value in domestic BOM

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

4. For reasons to be recorded in writing, a Government Ministry / Department or agencies under their administrative control may choose to procure a higher percentage of domestically manufactured electronic products than specified in the Notification. This would enable Ministries / Departments such as Atomic Energy, Space, Home Affairs, etc. to meet their special requirements or wherever a special policy provision exists / decision is taken by the Government to meet the demand from domestic manufacturers.
5. The notification comes into effect immediately. The Year 1 for the purpose of this notification would be upto 31.3.2015.
6. The implementation of this notification will be based on self-certification regarding value-addition in terms of Para 5.1 of the Policy cited as reference above.
7. The Department may review the Notification in case of technology / manufacturing ecosystem evolving differently from the one envisaged for this Notification.
8. The notification would also be applicable for procurement of electronic products made under all Centrally Sponsored Schemes and grants made by Central Government as per the policy referred above.
9. This notification is issued in supersession of the Notification No.8(41)/2012-IPHW dated 12.03.2013 on the subject.



(Dr. Ajay Kumar)

Joint Secretary to Government of India

Tel.: 24360160

New Delhi, Dated 22.05.2014

Copy to:

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- 2. Cabinet Secretariat**
- 3. PMO**
- 4. Planning Commission**
- 5. Comptroller and Auditor General of India**
- 6. JS&FA, Department of Electronics and Information Technology**
- 7. Internal Distribution**



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