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Ref.No.MAIT/PY/2379

August 17, 2021

Shri Ajay Prakash Sawhney
Secretary
Ministry of Electronics & IT

Subject: Exclusion of Necessary Services from computation of Product Value Addition

Respected Sir,

Greetings from MAIT!

An efficient and well-functioning public procurement system is an integral part of any governance system. To build an open, robust and transparent public procurement platform, the Government of India launched the Government e-Marketplace (GeM) for public procurement in August 2016.

- In this regard, on 16th September 2020, DPIIT released a circular reiterating the key objectives of income and employment enhancement as was stated in the Public Procurement (Preference to Make in India) Order. The Government's efforts to boost electronic manufacturing within the country undeniably helps in achievement of this objective. Value added services like insurance, transportation, commissioning, training, installation, aftersales services like AMC/CMC plays an important role in a product's life cycle and forms a significant part of costs as incurred by the IT industry. The importance of such services can be inferred from the MeitY order, which defines Class-1 & Class-2 local suppliers as – 'Suppliers or service providers whose goods, services or works offered for procurement purpose meet the minimum local content requirement.'
- We appreciate the continuous efforts by the Government to encourage manufacturing in the country. In this regard, the DPIIT order, released on 4th March 2021, acknowledges that for imported products this inclusion of above-mentioned services would be restricted. However, when the domestically manufactured products are considered, these services play an integral role in income and employment generation. Given the definitive value addition of these services to the utility of the product, we strongly urge you to allow **domestically manufactured and assembled products** to be allowed to consider the value add of these services. This step will assist many existing domestic manufacturers to qualify as Class-2 local suppliers and thus helping Government agencies in their procurement processes. Such recognition will further boost value addition services in the country.

- The above-mentioned services also have a critical role to play in case of Turnkey or System Integration (SI) Projects, whose functions spans to a period of 8+ years. For successful completion of these projects, these services are quite essential, however, are not considered as local value addition. Since these services enhance employment and income in the country over such a long period of time, we believe recognition of such services as local value add will play a critical role in success of Turnkey/SI projects in the country.

India's public procurement spend accounts for 15 to 20 percent of its annual GDP. The system put in place is presumed to have led to overall savings of up to 25 percent in Government expenditure while enhancing transparency and efficiency in public procurement. Addressing the issues highlighted above can unlock significant value for both Government and the IT industry and help employ public resources in a sustainable way. Against this backdrop, we humbly request you to kindly take up this matter with the authorities concerned to find a finer resolution.

Looking forward to your kind support.

With regards,

A handwritten signature in black ink, appearing to read "George Paul". The signature is fluid and cursive, with a large initial "G" and "P".

George Paul
Chief Executive Officer

CC: Shri Giridhar Aramane, Secretary, Department for Promotion of Industry and Internal Trade