Local value addition in IT hardware: a new procurement calculation

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Mains: GS-3, industrial policy, domestic manufacturing and technology.

Prelims: MeitY, DVA, BoM and local content in public procurement.



Original symbolic image: pcsmantra.com

Why in the news

The Ministry of Electronics and Information Technology (MeitY) has revised the methodology for calculating local content or Domestic Value Addition (DVA) for six IT-hardware products. Its PIB release of 20 November 2026 concerns provisions of the 7 September 2020 notification under the Public Procurement (Preference to Make in India) Order, 2017. This is an explanation of a recent policy change, not a new notification issued on 23 November.

Which products are covered?

1. Desktop PCs and All-in-One PCs.
2. Laptop PCs.
3. Thin clients.
4. Servers.
5. Computer monitors.
6. Interactive Flat Panel Displays.

The scope must not automatically be extended to all electronics, mobile phones or every product under PLI schemes. Procurement preference and production-linked incentives are different policy tools.

What changes in the calculation?

The methodology is process-oriented and based on the Bill of Materials (BoM), an organised list of the components and materials used in a product. It recognises eligible manufacturing activities and contributions undertaken in India rather than looking only at final assembly.

The release identifies activities such as mainboard/motherboard assembly through Surface Mount Technology, domestic sourcing of bare printed circuit boards, assembly/testing/packaging of RAM and SSDs, display assembly, domestic sourcing of chassis and power modules, and final assembly and testing. The release does not give the percentage weight for every component or process.

Research, design and intellectual property

Eligible in-house research and development undertaken in India receives weight. Additional weight is assigned to Indian product design and intellectual property rights (IPR). The policy logic is to use procurement demand to encourage indigenous design and technology rather than assembly of imported parts alone.

A weight in a calculation does not prove that a firm has already developed indigenous technology. Assessment needs evidence of design ownership, research work and manufacturing activities.

Self-certification and verification

The methodology provides a standardised format for DVA calculation and self-certification. According to the ministry, this also enables objective verification of manufacturers' self-declared DVA where required. Self-certification is not a permanent exemption from checks. Comparable records and clear processes matter for procuring entities.

The commencement condition matters

The methodology takes effect six months from its publication in the Official Gazette. That period must not automatically be counted from the PIB release date. A precise commencement date requires separate verification of the Gazette publication date. Once effective, it supersedes the corresponding provisions of the 7 September 2020 notification for these six products.

Mains analysis

Government procurement can provide stable demand for domestic manufacturing. Recognising processes, research and design may encourage a deeper value chain. Implementation must also consider compliance costs, smaller manufacturers' documentation capacity, verification of value-addition claims, and the balance between quality and cost. These are questions for analysis, not measured outcomes of the revised methodology.

Prelims practice question

Question 1. Consider the following statements about MeitY's revised methodology for six IT-hardware products:

Statement 1: It recognises eligible domestic manufacturing processes, research, design and intellectual-property contributions.

Statement 2: It immediately applied to all electronic products as soon as the PIB release was issued.

Which of the statements given above is/are correct?

(a) 1 only

(b) 2 only

(c) Both 1 and 2

(d) Neither 1 nor 2

▼ **Answer and explanation**

Answer: (a)

The scope is six specified products, and commencement is six months from Gazette publication.

Mains practice question

Why should domestic-value-addition calculations in government procurement go beyond final assembly? Discuss the role of design, research and verification. (250 words, 15 marks)

Answer outline

Introduction: Connect domestic capacity with procurement demand.

Main body: Explain components, processes, design and IPR.

Conclusion: Emphasise transparent verification, smaller firms' capacity and a quality-cost balance.

Frequently asked questions

What is DVA?

Domestic Value Addition, here concerning eligible Indian contributions in the specified hardware.

Is this a new PLI scheme?

No. It changes the local-content calculation methodology for procurement.

Is an exact commencement date verified?

The PIB release gives the condition of six months from Gazette publication. The original Gazette publication date has not been separately verified here.

Sources

- PIB: MeitY DVA methodology, 20 November 2026
- Business Standard: Local-content methodology, 20 November 2026

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