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Shri Prashant Kumar Singh
CEO
Government e-Marketplace (GeM)

Subject: Request for relaxations in delivery timeline and penalties in view of global supply chain crisis

Respected Sir,

At the outset, we would like to thank you and your esteemed office to provide relaxation to the delivery period of IT hardware products owing to the global shortage of components hampering supply chain via an advisory on September 21, 2021. This development has been helpful to the industry to undertake measures to achieve the timelines.

As you would acknowledge, the industry is facing an intense 'chips and ships' challenge. There is a global shortage of semiconductors, ICs, panels, etc., which are critical to the production of a wide range of telecom and IT products. This coupled with heightened economic activity in the post pandemic world, which has resulted in extreme volatility in supply chain, shifting faster than industry can adjust. We have provided a snapshot of tentative delays in certain product categories, which is faced by the industry.

Product categories	Industry lead time required (days)	Delivery period on GeM as on date (days)
Routers	120	90
Switches	287	90
Access Points	182	90
Security equipment	161	10
Collab equipment (Video conference end points & IP Phones)	120	10
Data Centre (compute)	120	10
Storage	140	90
Servers	140	90
Workstations	140	90

Sir, we wish to highlight the specific nuances of core digital hardware electronic products as compared to Consumer Electronics/Edge electronics products as below: -

- Density of components on board in core digital hardware electronic products is much higher

- This results in dependency of higher number of suppliers due to more components to be procured
- Orders are custom-built i.e., manufacturing starts after receiving order
- Sub assembly is built at different specialized factory & then are all brought-in to specialized final integration & configuration & testing manufacturing plant before shipment

Broadly, the additional challenges which core digital infrastructure product faces vis-à-vis other electronics products are the following: -

I. **Dependence on self-developed chips vis-à-vis commercial:** Several global companies do not rely solely on commercially available ICs and develop their own chips for niche products. This adds an additional delay given the prioritizations of supply chain. Due to this, several OEMs are unable to adhere to even the relaxed timelines as prescribed by customers

II. **High-end, complex, larger size products facing additional delays:** you would appreciate that certain ICT products, like high-end complex routers *(aimed for large networks and service providers)*, are larger than most equipment and therefore, face an additional layer of challenges in prioritization for shipping

III. **Rising penalties impacting industry:** While this global issue is impacting customers, OEMs, distributors, partners alike, the resulting penalties are hurting the industry, who is already reeling from the impact of the Covid-19 pandemic. This is impacting MSME distributors, partners more than OEMs. As you are aware, the cap on penalties in most tenders for delay in delivery is about 0.5% per week to a maximum of 10% of the project value. Further, rating on GeM goes down due to repeat delays, impacting their customer base

Currently, we have an extension of 90 days which is insufficient given the aforementioned challenges. Considering this, we seek your support for extension beyond the current leeway of 90 days to the following procurement:

1. A minimum of 180 days for procurement through direct purchases from GeM
2. A minimum of 270 days for procurement through tenders on GeM

We would greatly appreciate our requests being favourably considered.

With regards,

George Paul
Chief Executive Officer

CC: Shri Saurabh Gaur, Jt. Secretary, Ministry of Electronics & IT