

II-A. INDUSTRIAL R&D PROMOTION PROGRAMME

1. OBJECTIVES

The broad objectives of the Industrial Research and Development Promotion Programme are to:

- ◆ Bring in-house R&D into sharper focus;
- ◆ Strengthen R&D infrastructure in industry and Scientific and Industrial Research Organisations (SIROs);
- ◆ Promote R&D initiatives of the industry and SIROs;
- ◆ Ensure that the contributions made by the in-house R&D centres and SIROs dovetail adequately in the overall context of technological and industrial development.

2. AREAS OF COVERAGE

The specific areas covered under the component scheme are:

- ◆ In-house R&D in Industry,
- ◆ Scientific and Industrial Research Organisations (SIROs), and
- ◆ Fiscal Incentives for Scientific Research

Activities and achievements in each of above areas are presented below:

3. IN-HOUSE R&D IN INDUSTRY

3.1 Recognition of In-house R&D Units

A strong S&T infrastructure has been created in the country. This covers a chain of national laboratories, specialised R&D centres, various academic institutions and training centres, which

continuously provide expertise, technically trained manpower and technological support to the industry. Various policy measures have been introduced from time to time, to meet the changing industrial and technological requirements of the industry. The Government has been giving special attention to promotion and support to industrial research in industry. Several tax incentives have also been provided which encourage and make it financially attractive for industrial units to establish their own in-house R&D units.

A scheme for granting recognition to in-house R&D units in industry is operated by the DSIR. A number of incentives and support measures are made available to in-house R&D units. Ministry of Finance has issued notification amending the basic notifications under customs and excise. As per the amendments, all DSIR recognized in-house R&D units other than hospitals can avail customs and central excise duty exemption on their procurements for research purposes. Accordingly, all the eligible in-house R&D units recognized by DSIR have been issued certificates of registration during the year, to enable them to claim above benefits.

The in-house R&D units qualifying for recognition are expected to be engaged in research and development activities related to the line of business of the firm, such as, development of new technologies, design and engineering, process/ product/design improvements, developing new methods of analysis and testing; research for increased efficiency in use of resources such as capital equipment, materials and energy; pollution control, effluent treatment and recycling of waste products.

The R&D activities are expected to be separate from routine activities of the firm, such as production and quality control. The in-house R&D units should have staff exclusively engaged in R&D and headed by a full-time R&D manager who would have direct access to the chief executive or to the board of directors depending upon the size of the unit. The in-house R&D units are also expected to maintain separate identifiable infrastructure and R&D accounts.

Number of in-house R&D units recognised by DSIR increased steadily from about 100 in 1973 to about 275 by 1975, to over 700 by 1980, around 925 by 1985, over 1,100 in 1990 over 1,200 in 1995 and thereafter is hovering between 1,200 to 1,250; and was 1,361 in March 2009. Of these, nearly 1,290 are in the private sector and the remaining units are in public/joint sector. A revised and updated 'Directory of Recognised in-house R&D Units' was brought out. This Directory lists 1,376 recognised in-house R&D units as on 31st December, 2010, giving registration number, name and mailing address of the company, location of the in-house R&D unit(s) and validity of DSIR recognition. The data on these R&D units has been computerised and updated.

For the purpose of recognition, the R&D units have to apply to DSIR as per a prescribed proforma. The proforma and other details about the scheme are provided to the interested companies on request. The proforma and details of the scheme are also available at DSIR website (<http://www.dsir.gov.in>). The applications received are scrutinised for their completeness in the DSIR and are then circulated for comments to various other departments/agencies such as concerned administrative ministries, MSME, CSIR, ICAR, ICMR, ICAS, DBT, DCPC, DoT, DRDO, DIT, DoP and NRDC. The units seeking recognition are visited, if need be, by expert teams comprising of representatives of DSIR, as well as outside agencies, like, administrative ministries, CSIR, NRDC, DBT, ICAR, ICMR, DRDO, DIT, DoT, IITs and local educational and Research Institutions before they are taken up for consideration to verify their separation from the commercial activities like production and quality control and services. In

order to obtain first hand information on R&D activities of the applicant firms, discussions with the chiefs of the R&D unit and executives of the firm are also held in DSIR in many cases. During the discussions outside experts are invited and their comments are sought. The applications along with comments from outside agencies, visit reports, and the Department's own evaluation are considered by an Inter-Departmental Screening Committee constituted by the Secretary, DSIR. The Committee meets every month to consider the applications and makes recommendations to the Secretary, DSIR based on its evaluation of the R&D infrastructure and R&D activities of the applicant firms.

R&D recognition is considered on the basic requirement to avail fiscal incentives focused towards R&D and separation of R&D activities from commercial production/service activities of the company is considered important.

During the period under report, the Screening Committee met 9 times and considered 312 applications for recognition; 178 R&D units were granted fresh recognition and 68 applications were rejected. Recognition of balance R&D units is under process.

The pendency at the end of 31st December, 2010 was 66. A statement giving month-wise receipt, disposal and pendency of applications for recognition of in-house R&D units is given at **Annexure 1**.

During the period under report, over 246 discussions/meetings were held with heads/representatives of in-house R&D units. Also, expert teams visited a number of in-house R&D units.

3.2 Renewal of Recognition

Recognition to R&D units is granted for a period ranging from 1 to 3 years. The R&D units are advised to apply for renewal of recognition well in advance (3 months prior to the date of expiry of the recognition). Applications received for renewal of recognition are circulated to CSIR, NRDC and/or the concerned administrative departments of Government of India for comments depending on

requirement. The applications are examined in DSIR taking into account the inputs received from other agencies for taking suitable decision on their renewal. As of 1st April 2010, 550 in-house R&D units were due for renewal of recognition out of which 455 applications were received. Based on the evaluation of the performance of the R&D units, renewal of recognition was granted to 446 R&D units. Recognition granted to 4 companies could not be renewed because their R&D performance was not up to the mark. Renewal of recognition of 5 cases is under process. A statement showing month-wise receipt, disposal and pendency of the cases of renewal of recognition of the R&D units is given in **Annexure 2**.

3.3 Zonal Distribution of In-house R&D Units

The in-house R&D units are distributed throughout the country. There are around 188 units in the Northern Zone (Delhi, Haryana, Punjab, Uttar Pradesh, Jammu & Kashmir), around 125 units in Western Zone (Rajasthan and Gujarat), around 461 units in the Central Zone (Maharashtra, Madhya Pradesh and Orissa), around 471 units in the Southern Zone (Andhra Pradesh, Karnataka, Kerala and Tamil Nadu) and around 94 units in the Eastern Zone covering Bihar, West Bengal, Assam and other North-Eastern states and remaining 37 in other places.

3.4 R&D Expenditure

The expenditure incurred by in-house R&D units in industry has steadily increased. During 1980-81 it was of the order of ₹ 300 crores. In 1985-86, it was of the order of ₹ 500 crores. It is estimated that the present R&D expenditure of the 1,376 recognised R&D units is of the order of ₹ 8,500 crores. The share of public and joint sector is about 20 per cent and that of private sector about 80 per cent. Of these 1,376 recognised in-house R&D units, 167 spent over ₹ 500 lakhs each on R&D, 346 spent between ₹ 100 lakhs to ₹ 500 lakhs each per annum on R&D. The list of these R&D units is given in **Annexure 3 and 4** respectively.

3.5 R&D Infrastructure

The in-house R&D centres have created impressive infrastructural facilities for R&D including sophisticated testing facilities, laboratory equipment and pilot plant facilities. Analytical facilities such as HPLCs, IR/UV-VIS spectrophotometers, NMR spectrometers, electron microscopes, particle size analyzers, portable particle counting systems; vibration test equipment, calorimeter and wind tunnel for complete evaluation of automobile air-conditioning system, ultra filtration equipment, sonicator, spectro fluorimeter, protein purification set up, digital viscometer, high temperature test and evaluation facilities, CAD-CAM facilities, rapid prototype building machines, greenhouse and tissue culture laboratory facilities are available with many in-house R&D units.

3.6 R&D Manpower

There has been a steady increase in R&D manpower employed by the in-house R&D units. By 1975-76, about 12,000 R&D personnel were employed by recognised in-house units, and by 1981-82, the figure was over 30,000. The present estimated manpower for the 1,376 in-house R&D units is around 75,000 out of which around 23,000 R&D personnel are employed in public sector in-house R&D units and around 52,000 R&D personnel are employed in the private sector in-house R&D units. Of the total 75,000 R&D personnel, around 6,500 are Ph.D's, 27,000 Post Graduates, 32,000 graduates and the rest are technicians and support staff.

3.7 Sectorwise Break-Up of In-house R&D Units

A broad sector-wise break-up of the recognised in-house R&D units is given in the following Table.

3.8 Achievements of In-house R&D Units

Some of the R&D achievements reported by the recognised in-house R&D units are listed below:

Sector-wise Break-up of the recognised In-house R&D Units

Chemical and Allied industries including Drugs, Pharmaceuticals and Biotechnology	594
Electrical and Electronics industries	285
Mechanical Engineering industries	193
Processing industries (Metallurgical, Refractories, Paper, Cement, Ceramics, Leather and others)	162
Agro including Biotechnology and food processing industries and others	142

Physical and Biological Sciences

- Development of Biogeneric therapeutic proteins.
- Development of New Biological entities including monoclonal antibodies.
- Development of Water stress and salt stress tolerant transgenic cereal plants.
- Development of new & improved processes, salts, polymorphs of existing molecules which will give us strategic advantage.
- Development of processes for therapeutic peptide & oncologies.
- Development of Nitrogen use efficient cotton plants, vegetable plants, wheat plants. And development of salt tolerant sugarcane, sunflower and pigeon pea plants
- Development of process for Purification of Indian plasma proteins as albumin and IVIG
- Development and commercialization Ceftriaxone sodium and Potassium clavulanate in FDC injectable form and Aceclofenac injection
- Development of a Modular Hemi-arthroplasty System.
- Development and Upgradation of Modular Resection System for Limb salvage surgery of the upper limb.
- Development of new drug delivery system for HBRC 110 for the treatment of male sexual abnormality.
- Development of Antiviral potential of marine organism for agriculture application.
- Development of transgenic cotton containing anti sense AV2 gene for resistance to CLCUV disease.

- Development of process and technology for Paclitaxel, Zoledronic acid, Bendamustine HCl, pemetrexed and Epirubicin
- Development of novel Polymorphic form of Bortezomib.
- Development of an improved Process for the preparation of Irinotecan Hydrochloride Trihydrate
- Brain tumor tissues characterization and it's repository with a view to have tissue available for drug testing for the needy research group and to begin high end research on neural stem cells based on data available from repository.
- Development of suitable delivery forms for nutraceutical supplements such as pellets, beadlets, coated granules, powders suitable for soft gel capsules etc.
- Screening of different herbal extracts for anti-inflammatory activity

Electronics and ICT based Industries

- Development of new prototype testing for 1200 KV S/C"A" tower.
- Development of the first indigenous electronics design automation tool called IMAGE.
- Development of Single chip advanced 1 phase meter
- Development of solar rechargeable LED lantern, intelligent LED 'Poster' system - LED DigiPoster, LED TV, intelligent & interactive street lighting system, LEDmax, a LED based intelligent luminarie system for illuminating targets such as billboards etc.
- Development of Advance remote metering, RF & PLCC communication between meter & computer.

- ◆ Development of Low voltage distribution system (LVDS);
- ◆ Development of products like humanoid robot (soft brand) and AGV (intellicart).
- ◆ Development of 22 KW AC controller for spinning machine, solar powered AC drive system for submersible pumps.
- ◆ Development of 5KVA power inverter & on line UPS

Engineering Industries

- ◆ Development of positive displacement centrifugal dewatering pumps, vacuum dewatering pumps / hydraulic pumps
- ◆ Development of High power CNG engine - 106 KW;
- ◆ Development of electric stacker - 1.5 ton capacity, EVx30 with AC drive-3 T capacity, power pallet truck 2 ton capacity, fork positioner 8 ton.
- ◆ Development of 8L, 6cyl, engine with medium duty common rail system for Euro 4 emission compliance
- ◆ Development of high speed data processing cluster for compressing computing calculation time required for metal flow simulation.
- ◆ Development of wall care putty - spray and level plast.
- ◆ Development Plasma sputtering for hard and decorative coating

3.9 Imports Made by In-house R&D Units

The recognised in-house R&D units have imported a variety of equipment, raw materials and samples for their R&D activities. These include: FT-IR spectroscopy, UV/VIS spectrophotometer, Karl-Fisher coulometer, EKTRON Plunger, Einlehnner Abrasion Tester AT-1000, GCMS, UPLC, GC system, Varian BIO-DIS dissolution apparatus, HPLC system, Particle Size analysers, Nano homogenizer, Microplate reader, Medical photography equipment, Nitrogen generator, Abrasion loss testing machine, Moony viscosity testing machine, Load cell, Universal testing machine, 30 ton capacity pulley block, Ginning

machine, Spares for Rota vapor chiller and extraction system, Polymer microscope, Oscillation granulator, Automatic potentiometric titrator, DSC (PerkinElmer), etc.

3.10 Other Benefits Availed by the Recognised R&D Units

The Department provides assistance to recognised in-house R&D units in a number of ways, such as cases of industrial R&D units requiring allotment of special controlled materials for R&D, permission to export of specialised products reserved for small scale industries by medium scale industries for test marketing in other countries and disposal of imported R&D equipment/instruments and pilot plant produce are examined for making suitable recommendations to concerned agencies.

4. SCIENTIFIC AND INDUSTRIAL RESEARCH ORGANISATIONS

4.1 Recognition of Scientific and Industrial Research Organisations (SIROs)

The DSIR had launched a scheme of granting recognition to SIROs in 1988. SIROs recognised by DSIR are eligible for Customs Duty Exemption and Excise Duty Waiver in terms of notifications Nos. 51/96-Customs dated 23.7.1996 and 10/97-Central Excise dated 1.3.1997 respectively.

The DSIR has brought out Guidelines for Recognition of SIROs, which give procedural details and application proforma for seeking recognition under the SIRO Scheme. Functional SIROs having broad based governing council, research advisory committee, research personnel, infrastructural facilities for research, well defined, time bound research programmes and clearly stated objectives of undertaking scientific research, are considered eligible for recognition by DSIR. The investments of surplus funds not needed for immediate research should be in accordance with the Income-tax Act, 1961.

Applications for seeking recognition under the SIRO scheme are considered in DSIR by an Inter-Departmental Screening Committee with members

from Council of Scientific and Industrial Research (CSIR), Indian Council of Medical Research (ICMR), Indian Council of Agricultural Research (ICAR), Indian Council of Social Sciences Research (ICSSR) and University Grants Commission. The recommendations of the Screening Committee are put up for approval of Secretary, DSIR. The recognition is effective from the date of approval of Secretary. Retrospective approval is not granted.

During the period January 2010 to December 2010, the Screening Committee met 9 times and recommended 22 cases for recognition as SIROs under 1988 Scheme of DSIR. These include cases in the natural and applied sciences, agricultural, medical sciences and social sciences. List of these SIROs is furnished at **Annexure-5**.

Recognition granted to SIROs is for duration ranging from 1 to 3 years. The SIROs are advised to apply for renewal of recognition well in advance (3 months prior to the date of expiry of recognition). Such applications received for renewal of recognition are examined by Research Review Group by involving representatives from ICAR, ICMR, CSIR and ICSSR depending on the area. Based on the evaluation made by the Research Review Groups, renewal of recognition is granted to SIROs.

At present there are 574 SIROs duly recognized by DSIR; of these 204 are in the area of natural and applied sciences. 235 are in the area of medical sciences, 39 are in the area of agricultural sciences, 69 are in the area of social sciences and 27 are universities/ colleges. 145 SIROs were renewed during the year. Of these SIROs, the renewal of recognition beyond 31.3.2010 of 7 SIROs is under consideration for want of further information/ clarification.

The SIROs have employed qualified scientists and researchers and have also established good infrastructural facilities for research. They have developed new processes, procedures, techniques and technologies and also filed several patents. They have also organized seminars/ symposiums/ workshops and published research papers/ reports/ books.

5. FISCAL INCENTIVES FOR SCIENTIFIC RESEARCH

Government has evolved, from time to time, fiscal incentives and support measures to encourage R&D in industry and increased utilisation of locally available R&D options for industrial development. New incentives to encourage investments in R&D by industry are announced in the Union Budget.

Fiscal incentives and support measures presently available include:

- ◆ Income-tax relief on R&D expenditure;
- ◆ Weighted tax deduction U/s 35 (2AA) of IT Act 1961 for sponsored research programs in approved national laboratories, universities and IITs;
- ◆ Weighted tax deduction u/s 35(2AB) of IT Act, 1961 on in-house R&D expenditure for any company engaged in the business of biotechnology or in any business of manufacture or production of any article or thing not being an article or thing specified in the list of the eleventh schedule of IT Act having R&D facility approved by Secretary, DSIR.
- ◆ Customs duty exemption on capital equipment, spares, accessories and consumables imported for R&D by approved institutions/SIROs;
- ◆ Customs duty exemption on specified goods (comprising of analytical and specialty equipment) for use in pharmaceutical and biotechnology sector;
- ◆ Excise duty waiver on indigenous items purchased by approved institutions/ SIROs for R&D;
- ◆ Ten year tax holiday for commercial R&D companies approved upto 31.03.2007
- ◆ Excise duty waiver for 3 years on goods produced based on indigenously developed technologies and duly patented in any two of the countries out of India, European Union (one country), USA and Japan;
- ◆ Accelerated depreciation allowance on plant and machinery set-up based on indigenous technology;
- ◆ Customs duty exemption on imports for R&D projects supported by Government.

Information on some of these fiscal incentives is given in the following paragraph.

5.1 Depreciation Allowance on Plant and Machinery Setup Based on Indigenous Technology

Secretary, DSIR, is the Prescribed Authority to certify expenditures where higher rate of depreciation is to be allowed for the plant and machinery using indigenous know-how as per provisions of rule 5(2) of IT Rules. Guidelines have been issued for making applications for obtaining the aforesaid certificate. All such applications received are examined in the Department, discussions held and visits by experts are made to the plants to verify the claim. Based on a detailed examination, certificates are issued for eligible expenditure in deserving cases.

During the period under report, no certificate was issued by DSIR.

5.2 Reference under Section 35 (3) of Income-Tax Act, 1961 Regarding Scientific Research

In the implementation of various incentive schemes for the promotion of research and development, the Income-tax Act, inter-alia, provides that expenditure made on capital equipment and related to research activities are allowed to be written off 100 per cent in the year in which the expenditure are incurred. The Government has provided that if a question arises under section 35 of Income-tax Act, 1961 as to whether and, if so, to what extent any activity constitutes or constituted or any asset is or was being used for scientific research, the Central Board of Direct Taxes would refer the question to the Prescribed Authority. Director General Income-tax (Exemptions) in concurrence with Secretary, DSIR is the Prescribed Authority for deciding such cases.

On receipt of the reference in DSIR, the department collects information/background regarding the description of the activity claimed as scientific research, date of commencement of the relevant

projects, date of completion of research work as also the results obtained from the specific project. After obtaining all these details, the matter is examined in DSIR. In case where it is considered necessary, a team of technical experts is constituted for on the spot appreciation of the research work done at the premises of the company. After receiving the technical assessment report from the visiting team, a discussion is also normally held so that the point of view of the Company is taken into account before arriving at a decision. After completing the processing of the case in the above fashion, the case file is placed before the Secretary, DSIR for giving a decision. The Secretary, DSIR gives his decision by setting out a reasoned order duly signed by him, which is communicated to Director General (Income-tax Exemptions).

During the period under report, request of one company has been under consideration.

5.3 Approval of Commercial R&D Companies

In order to promote research and development activities in the commercial research and development companies, the Finance Act, 2000 provided for a ten-year tax exemption from income-tax under section 80-IB(8A) of the Income-tax Act, 1961, to approved companies, whose main objective is scientific and industrial research. Secretary, DSIR is the Prescribed Authority vide Gazette notification no. S.O.85 (E) dated 31 January, 2001, issued by Department of Revenue, Ministry of Finance for granting approval under section 80-IB(8A) of the IT Act. The notification was valid upto 31st March, 2007 and this scheme was not extended further by the Government.

The approval to commercial R&D companies is given initially for a period of 3 years, which can be extended up to 10 years based on evaluation of its performance.

The tax exemption is available to a company, which is accorded approval by the Prescribed Authority at any time after the 31st day of March 2000 but before the 1st day of April 2007.

Out of 45 companies approved till 31st March 2007, five companies are not availing benefit under the section at present. The list of 40 companies availing benefit is given at **Annexure 6**.

5.4 Customs Duty Exemption to Recognised SIROs

All SIROs recognised by DSIR other than hospitals are eligible for Customs Duty Exemption on the import of scientific equipment, instruments, spares, accessories as well as consumables for research and development activities and programmes.

The department was issuing the essentiality certificates to SIROs for obtaining the customs duty exemptions. As per the notification No. 24 /2007 dated 1st March, 2007 the Director or Head of the institute/organization is empowered to sign the essentiality certificate.

5.5 Central Excise Duty Exemption to Recognised SIROs

All SIROs recognised by DSIR other than hospitals are eligible for Excise Duty Exemption on purchase of scientific and technical instruments, apparatus, equipment (including computers); accessories and spare parts thereof and consumables; computer software, Compact Disc - Read Only Memory (CD-ROM), recorded magnetic tapes, micro films, microfiches; and prototypes for research and development activities and programmes.

This provision was introduced by Ministry of Finance (Department of Revenue) vide notification No. 10/97-Central Excise dated 1st March, 1997. The department was issuing the essentiality certificates to SIROs for obtaining the central excise duty exemptions. As per the notification No.10/2007 dated 1st March, 2007 the Director or Head of the institute/organization is empowered to sign the essentiality certificate.

5.6 Customs and central excise duty exemption to Recognised in-house R&D units

Ministry of Finance has issued notification no. 24/2007 - Customs dated 01/03/2007 and 16/2007 - Central Excise dated 01/03/2007 amending the basic

notifications under customs and excise. As per the above amendments all DSIR recognized in-house R&D units other than hospitals can avail customs and central excise duty exemption on their procurements for research purposes. Secretary approved the issuance of certificate of registration to the recognized R&D units in June 2009 and at present all the eligible in-house R&D units recognized by DSIR have been issued the certificates of registration.

5.7 Registration of Public Funded Research Institutions, Universities etc.

Public funded research institutions, universities, IITs, IISc., Bangalore; Regional Engineering Colleges (other than a hospital) are eligible for availing customs duty exemption on import of equipment, spares and accessories and consumables for research purposes through a simple registration with the DSIR. The heads of the public funded research institutions / organisations duly registered with DSIR can certify the R&D goods for duty free import as per the notification No. 51/96-Customs dated 23 July 1996. As per the Government notification No. 10/97-Central Excise dated 1.3.1997, the above Public Funded Research Institutions registered with DSIR are also eligible for Central Excise Duty Waiver on purchase of indigenously manufactured items for scientific research purposes.

Coinciding with the presentation of Union Budget for the year 2004, Ministry of Finance amended the notification No. 51/96-customs vide notification No. 28/2003-Customs dt. 1.3.2003. As per the amendment, departments & laboratories of central government and state governments (other than a hospital) are not required to register with DSIR for availing the customs duty exemption. They can clear the consignments by producing a certificate from the Head of the institution certifying that the said goods are required for research purposes only. Another significant change in the notification is that Regional Cancer Centres have been included in the list of institutions eligible for DSIR registration for importing goods for research purposes at a concessional rate of customs duty.

For the purpose of registration, the PFRI/ Universities etc have to apply to DSIR as per prescribed proforma. The proformae and other details about registration scheme are available at DSIR website (www.dsir.gov.in) The applications received are scrutinized for their completeness in DSIR by a Sub-Committee constituted by the competent authority. The complete applications are then considered by an Inter-departmental Screening Committee constituted by the department for considering the requests from various institutions. Presently the committee is chaired by a former Secretary of DSIR.

The Screening Committee met 2 times during the year 2010 and considered 29 applications received from various public funded research institutions. During the year 2010, 23 registration certificates were issued to such public funded research institutions for availing customs duty exemption on import of scientific equipment, spares and accessories, consumable items and Central Excise Duty exemption on indigenous purchases for Scientific Research Purposes.

The registration to public funded research and other institutions mentioned in the notification is granted for maximum period of five years. The registered institutions are advised to apply for renewal of registration well in advance of the date of expiry of the registration.

During the year 2010, 181 institutions were due for renewal of registration. The department received 126 renewal applications. These were processed on individual files and approval of Competent Authority was obtained and 116 renewal certificates were issued. The remaining 10 applications are under process.

5.8 Approval of In-house R&D Centres under Section 35(2AB) of I.T. Act 1961

In order to encourage R&D initiatives of industry, the finance bill 1997 introduced a sub section (2AB)

in section 35 of the IT Act, 1961. The provision introduced initially was for select sectors of industry i.e. drugs, pharmaceuticals, electronic equipment, computers, telecommunication equipment, chemicals and provided weighted deduction of 125 per cent on expenditure on in-house research and development facility as approved by the prescribed authority i.e. Secretary, DSIR. Subsequently, a number of other sectors were added to the list of eligible sectors from the year 2009 and the benefits have been extended to all sectors of industry with a select list of non-priority items. These include helicopter or aircraft, computer software, automobiles including automobile components, seeds and agricultural implements. Rate of weighted tax deduction was also raised from 125 per cent to 150 per cent subsequent to the year ending March, 2000. The rate of weighted tax deduction has been further enhanced to 200% from 1st April 2010. Initially the provision was introduced up to 31st March, 2000. The provision was extended initially till 31st March, 2005 and then upto 31st March, 2007 and now the provision stands valid up to 31st March, 2012.

During the period under report, 152 new applications for approval in Form 3CM were received by the Prescribed Authority. Secretary, DSIR is designated as the Prescribed Authority under section 35(2AB) of Income-tax Act, 1961. Fresh approvals were accorded to 49 companies by the Prescribed Authority. These approvals were communicated in Form 3CM, after Agreement of cooperation for research and development were signed with these companies on behalf of the Secretary, DSIR. Further, the detailed R&D expenditure of the approved companies valued at ₹3461.00 crore have also been examined by DSIR and 102 reports valued at forwarded to DGIT(E) in Form 3CL as required under the IT Act alongwith the certificate issued for the R&D expenditure claimed under the provision. A list of companies approved under Section 35(2AB) of IT Act, is furnished in **Annexure -7**.