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Industry

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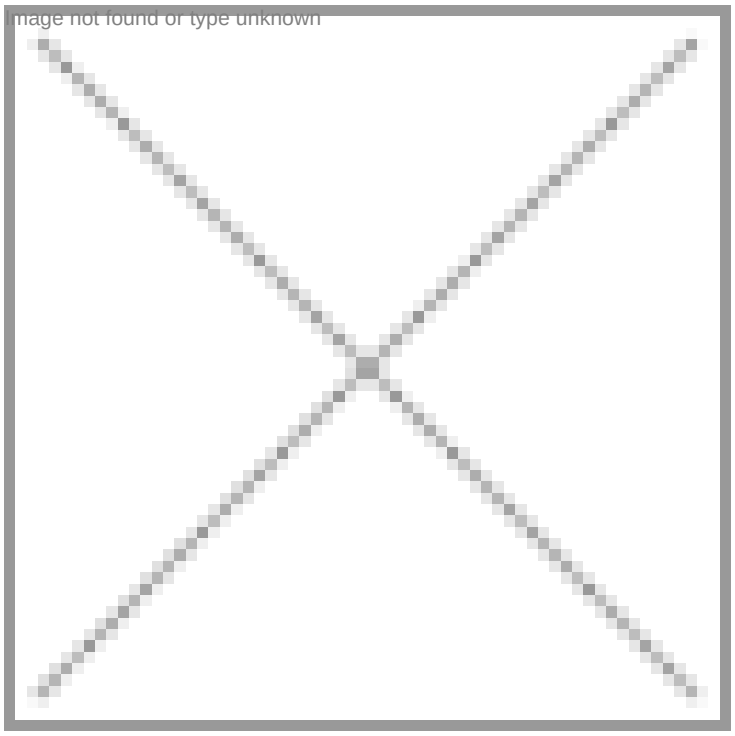

Industry's Wish List to the Finance Minister

Nitin Deshmukh, head - Private Equity, Kotak Mahindra Bank and honorable director, ABLE, shares his thoughts on what the finance minister needs to consider to foster the Indian biotech industry's growth in 2006 and beyond.

Duty exemption norms for imported life saving drugs and diagnostics: The components and raw materials used by indigenous manufacturers for the production of diagnostics and life saving drugs are exempt from Excise and Custom duty or alternatively duty paid on components and raw materials used in manufacture of life saving drugs be eligible for refund.

Exemption on Customs Import Duty on R&D equipment and Duty refund/drawback for R&D consumables: R&D equipment as specified in List 27 A and List 28 of the Custom Notification No: 26/2003 dated 01.03.2003 by DSIR recognized Research Laboratories be expanded to cover additional items that are essential to biotech and pharmaceutical research. In addition, due to the ever-changing requirement of new types of equipment, it is recommended that additional R&D equipment not covered in List 27A and List 28 be permitted to be imported duty free based on DSIR certification. Likewise, the import of R&D consumables, reference standards and reference books be made eligible for Refund/ Duty Drawback based on DSIR certification.

Weighted average tax deduction on R&D expenditure and inclusion of international patent filing costs u/s 35 (2ab): The weighted deduction be increased to 200 percent and the scheme be extended for a further period of eight years i.e. up to March 31, 2015. Further, the expenditure pertaining to International Patent filings be included u/s 35 (2AB) for weighted tax

deduction for R&D.

The weighted deduction under section 35(2AB) should be extended to investment made in land and buildings for dedicated research facilities. Further, the weighted deduction under section 35(2AB) should also be extended to expenditure incurred on clinical trials.

Exemption of withholding tax for technology transfer and technology licensing in biotechnology: In order for Indian Companies to acquire more technology it is recommended that import of technology by the Biotech Sector be exempt from Withholding Tax for a period up to 2010.

Excise duty on diagnostic kits for HIV antibodies: Diagnostic kits for HIV antibodies and other infectious diseases be also exempt from CVD/CED as it falls with the category of life saving drugs.

Relaxed export obligation norms for biotech parks availing of SEZ status: The export obligation norms be made applicable after a duration of five years as this will greatly help biotech parks to attract a large number of innovative biotech companies.

Minimum requirement for setting up a biotech SEZ: The minimum area required for setting up a Biotech SEZ be restricted to 25 acres of land or 1 million sft of building area, similar to the norms specified for the IT Industry.

Provide two-year moratorium on obtaining price approval for products under price control: Biotech products manufactured in India be given a two-year moratorium from Price Control under NPPA to provide for sufficient time to scale up production and streamline costs. The present requirement for approval from NPPA prior to launch leads to substantial delay in launch of the product. Further, R&D expenditure incurred on biotech products be permitted for amortization in computing costs for the purposes of price fixation.

Expansion of the list of capital goods under List 27 A and List 28 and easing of norms: The existing schemes be amended to cover expansion of the list of equipment provided in List 27A and List 28 to cover equipment required for manufacture of biotech products. Further, new companies be permitted to import equipment at nil duty to the extent of 25 percent of the project cost, as certified by the DBT or a recognized financial institution. The restriction of 25 percent of FOB value of exports and recognition by DSIR be waived for new companies for a period of five years from date of incorporation.

Turnover limit for ssi: The limit of turnover be restricted to only dutiable goods and the excise levy become applicable only on sale of dutiable goods in excess of Rs 4 crore.

Waiver of requirement of filing Form ER-5 & ER-6 under Cenvat Credit Rules 2004: Biotech companies be exempt from this requirement.

Provision of a central fund (Rs 200 crore) to compensate states that provide subsidy, specifically to approved transgenic seeds: Subsidizing the seed cost, at least partially, will go a long way in the penetration of the technology among small farmers, who incidentally will stand to gain the most from such technologies. Further, subsidy for the approved varieties of transgenic seeds will also effectively curb the menace of unapproved and fake transgenic seeds, which is rampant in the country today.

Priority sector lending for biotechnology: Lending to the biotechnology sector be categorized as Priority Sector Lending. Also it is proposed that Rs 200 crore of funds under the Technology Development Board be earmarked for providing long term funds to biotech companies

Budgetary allocation for state supported biotech parks: Though several state governments have taken initiatives to promote biotechnology parks there is need for incentive from central government in form of budgetary allocation to support state governments in furthering the interests of biotechnology through dedicated parks.

Budgetary allocation for setting up arbitration council or quasi judicial tribunals to address IPR disputes: There is need to have specially trained judicial personnel and courts to showcase India as next hub for contract research, clinical trials and contract manufacturing in biotechnology space.

Budgetary allocation for setting up a world class internationally accepted accreditation agency: For India to take leap in the biotechnology space, there is need to offer quality in both manufacturing as well as services domain. This requires setting up of a internationally accepted accreditation agency, which can set standards, protocols and act as gatekeeper for producing world-quality products/services.