

**GOVERNMENT OF INDIA
HEAVY INDUSTRIES AND PUBLIC ENTERPRISES
LOK SABHA**

STARRED QUESTION NO:192
ANSWERED ON:06.12.2012
R & D IN RATNA COMPANIES
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Will the Minister of HEAVY INDUSTRIES AND PUBLIC ENTERPRISES be pleased to state:

- (a) whether the Government has formulated any Research and Development (R&D) policy for the Public Sector Enterprises (PSEs) and if so, the details thereof;
- (b) the total amount spent by Maharatna, Navratna and Miniratna companies on R&D during the last three years and the current year, company - wise;
- (c) whether the Government had fixed any target for these companies in this regard for the above period;
- (d) if so, the number of companies which have met those targets; and
- (e) the other measures being contemplated by the Government to promote R& D activities in the PSEs ?

Answer

MINISTER OF HEAVY INDUSTRIES AND PUBLIC ENTERPRISES (SHRI PRAFUL PATEL)

(a) to (e): A statement is laid on the Table of the House.

Statement referred to in reply to Lok Sabha Starred Question No. 192 for answer on 06.12.2012 regarding R&D in Ratna Companies

(a) Guideline on `R&D` has been issued vide Department of Public Enterprises (DPEs) OM No. 3(9)/2010-DPE (MoU) dated 23rd September, 2011 for the Central Public Sector Undertakings (CPSUs)/Public Sector Enterprises (PSEs) where by R&D is a parameter for the purpose of Memorandum of Understanding (MoU), which is a mutually negotiated agreement between the management of the CPSUs/PSEs and Government of India and is fixed every year.

R&D has been included as a compulsory element under the `non- financial parameters` under the MoU system in CPSEs with a 5% weightage attached to it. In order to remove ambiguity and bring uniformity of approach, guidelines have been issued specifying scope of activities under R&D. The guidelines are a charter on activities, projects, expenditure, documentation and monitoring of initiatives by CPSEs.

(b) The evaluation of MoU parameters including R&D is done on yearly basis by DPE. The amount spent on R&D by CPSEs as per MoU data during last three year is as per details below:

(Rs in Crores)

	2009-10	2010-11	2011-12
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Maharatna	-	849.35	716.23
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Navratna	2681.46	2436.25	2803.41
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Miniratna 115.43 142.37 157.58

Maharatna companies were formed in the year 2010-11

The company wise details of R & D expenditure are available in Annexure-1.

(c) The CPSEs must specify and justify its R&D budget as a percentage of Profit (PAT) keeping in mind its long term business needs and current expenditure on R&D in the MoU 2012-13. The expenditure on R&D as a percentage of PAT will have 50% weight out of total marks of 5 in the MoU. The minimum amount of expenditure under R&D is prescribed as under:

Category of CPSEs	Minimum Expenditure on R&D as a percentage of PAT
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Maharatna & Navratna	1% of Profit after Tax
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Miniratna -I & II and below	0.5% of Profit after Tax
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(d) As the parameter is introduced in 2012-13 the evaluation will be done at the end of financial year.

(e) Periodic MoU performance monitoring and review of CPSEs is done by the concerned Administrative Ministries/ Departments including R&D parameter. The Performance Evaluation of MoU of the CPSEs is done by DPE at the end of the year on the basis of actual achievements vis-a-vis the MoU targets.