

The Pr. Commissioner of Income Tax & Anr. v. M/s. Applied Materials India Pvt. Ltd.

Income Tax Appeal No. 36 of 2021

2026:KHC:50875-DB | 2026-09-17

Transfer pricing comparability under section 92C and Rule 10B: exclusion of Mindtree Ltd., Persistent Systems Ltd., and Larsen & Toubro Infotech Ltd. from captive service provider's comparable set upheld as functionally dissimilar and non-perverse.

Income-tax Act, 1961: sections 92, 92C, 92CA and 260A | Income-tax Rules, 1962: Rule 10B

High Court of Karnataka | 2-judge bench (Division Bench) | S. G. Pandit, J. | Dr. Chillakur Sumalatha, J.

Assessment years: 2013-14

Fact-intensive comparability ruling for AY 2013-14; minor typographical OCR strings in printed order

In paragraph 5 (PDF p. 4), the printed order refers to the respondent's captive software/engineering services as 'capital services provided by the assessee', and in Question 2 (paragraph 3, PDF p. 3) repeats the names of Persistent Systems and Larsen & Toubro Infotech ('Persistent Systems Ltd and Larsen and Tourbo Ltd Persistent Systems Pvt.Ltd and Larsen & Tourbo Infotech Ltd'). The exclusion of Mindtree Ltd., Persistent Systems Ltd. and Larsen & Toubro Infotech Ltd. rests on the specific functional profile established for AY 2013-14.

01 FACTS OF THE CASE

For AY 2013-14, the Transfer Pricing Officer included Mindtree Limited, Persistent Systems Limited, and Larsen & Toubro Infotech Limited as comparables while benchmarking the international transactions of the assessee, Applied Materials India Pvt. Ltd., which rendered limited captive software/engineering services to its Associated Enterprise. Following the DRP's confirmation of the TPO's order, the ITAT Bengaluru (by order dated 13.05.2020 in IT(TP)A No. 2687/Bang/2017) directed the TPO to exclude all three companies on grounds of functional dissimilarity. The Revenue appealed under section 260A, framing three substantial questions of law alleging that the Tribunal had ignored Rule 10B and rendered a perverse finding.

Source: [Paragraphs 1-4; PDF pp. 1-4](#)

02 DISCUSSION BY THE HON'BLE COURT

Examining each of the three disputed comparables on the record, the Division Bench held that the Tribunal's reasons were proper and warranted no interference: (1) Mindtree Limited carried out substantial Research and Development (R&D) activities and had created huge intangibles, making it functionally incomparable to the limited captive services rendered by the assessee; (2) Persistent Systems Limited earned income from licensing/royalty fees and was engaged in software product development, unlike the assessee which neither developed proprietary products nor earned royalty income; and (3) Larsen & Toubro Infotech Limited operated as a full-fledged software development enterprise performing broad functions incomparable to the assessee's limited captive functions. As the Revenue produced no additional material to show perversity or violation of Rule 10B, the Tribunal's factual findings were upheld.

Source: [Paragraphs 5-7; PDF pp. 4-6](#)

03 JUDICIAL DECISION

Answering all three substantial questions of law in favour of the assessee and against the Revenue, the High Court held that the Tribunal's order was neither perverse nor contrary to the Act or Rules and dismissed Income Tax Appeal No. 36 of 2021.

Source: [Paragraphs 6-7; PDF p. 6](#)

04 OUTCOME / IN WHOSE FAVOUR

In favour of the assessee (M/s. Applied Materials India Pvt. Ltd.). The Revenue's appeal was dismissed and the exclusion of Mindtree Ltd., Persistent Systems Ltd., and Larsen & Toubro Infotech Ltd. for AY 2013-14 stood affirmed.

Source: [Paragraphs 6-7; PDF p. 6](#)

05 AKHB REVIEW POINT

AKHB analysis: when challenging large IT/software companies (such as Mindtree, Persistent Systems, and L&T Infotech) in captive SDS transfer pricing benchmarking under Rule 10B, extract three specific annual-report markers for the record: (a) R&D spend and intangible asset creation, (b) software product development and royalty/licensing revenue streams, and (c) absence of audited segmental break-up between full-risk product/enterprise solutions and routine captive coding.

Source: [AKHB analysis based on paragraphs 4-7 / PDF pp. 4-6](#)

SOURCE & VERIFICATION

[High Court of Karnataka official digital judgment PDF - AKHB Cloud Repository](#)

Six-page official High Court of Karnataka judgment PDF (2026:KHC:50875-DB); paragraphs 1-7 span PDF pages 1-6.

Supplied source-reviewed note retained; original bytes and identity validation checked in this release. Substantive re-review is not claimed for this record.

[Open cited source rendition](#)

Full 6-page official High Court of Karnataka PDF read and verified. Original bytes match SHA-256 751f4b678659228aa3ae0145d9d8ca8f5809457fb58f94247c371bce4469dbb8.

STATUTORY SCOPE

Applies sections 92, 92C and 260A of the Income-tax Act, 1961 read with Rule 10B of the Income-tax Rules, 1962 for AY 2013-14. Income-tax Act, 2025 equivalence is not verified.

LATER TREATMENT

Source checked 2026-10-16. Full judgment checked. Comprehensive subsequent judicial treatment has not been verified.

AI DISCLOSURE

AI-assisted research checked against the identified source. Extraction, interpretation or omission errors remain possible. Source review does not mean independent approval by a practising professional. Verify every material statement against the complete original judgment.

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