

COLLECTOR OF CENTRAL EXCISE, GUNTUR

v.

ANDHRA SUGAR LTD.

OCTOBER 26, 1988

[SABYASACHI MUKHARJI AND RANGANATH MISRA, JJ.]

*Central Excises and Salt Act, 1944—Sections 11 B(2) and 35 L(b) and Notifications No. 55/75 dated March 1, 1975 and No. 62/78 dated March 1, 1978—‘Acetic anhydride’—Whether drug intermediate—Whether exempt from duty.*

*Statutory Interpretation—Court to give weight to interpretation put upon statute at time of its enactment.*

The respondent manufactured ‘Acetic Anhydride’ falling under Tariff Item No. 68 of the Central Excise Tariff. It filed two refund claims in regard to the duty paid on the acetic anhydride during the period 5th February, 1981 to 26th February, 1982, contending that the goods were exempt from payment of excise duty leviable thereon under Notification No. 55/75 CE dated 1st march, 1975 as amended by Notification No. 62/78 CE dated 1st August, 1978, that Acetic Anhydride is a ‘drug intermediate’ and that as delivery had been made to drug manufacturers i.e. IDPL, no excise duty was payable.

The Assistant Collector of Central Excise by his adjudication allowed the refund of the aforesaid claims of the respondent under section 11 B(2) of the Central Excises and Salt Act, 1944.

The department preferred appeals against the aforesaid orders to the Collector of Central Excise (Appeals), who allowed the appeals and annulled the orders of the Assistant Collector granting refund.

The appeals preferred by the respondent having been allowed by the Customs, Excise and Gold (Control) Appellate Tribunal, the Revenue appealed to this Court under Section 35 L(b) of the Act.

Dismissing the Appeals,

HELD: 1. ‘Acetic Anhydride’ is a chemical but when it is supplied as a drug intermediate to a drug manufacturer, it would be entitled to exemption under the relevant Notification.

A 2. Keeping in view the language used in the exemption Notification and the purpose of the Notification, the expression 'drug intermediate' is of a wide description and substance and must be so interpreted. [547B]

B In the instant case, the Acetic Anhydride manufactured by the appellant had been used by M/s IDPL in the manufacture of drugs. In the light of the purpose for which the goods were used, the Tribunal came to the correct conclusion. [547B-C]

C *Mysore Acetate & Chemical Co. Ltd. v. Assistant Collector, Central Excise, Mysore*, [1984] 17 ELT 319 and *Shasum Chemicals (Madras) Pvt. Ltd.*, [1982] ELT 786, referred to.

D 3. It is a well-settled principle of interpretation that courts in construing a Statute will give much weight to the interpretation put upon it at the time of its enactment, since those whose duty has been to construe, execute and apply the same enactment. [546H; 547A]

D 4. The meaning ascribed by the authority issuing the Notification, is a good guide of a contemporaneous exposition of the position of law. [546G]

B *K.P. Varghese v. The Income Tax Officer, Ernakulam*, [1982] 1 SCR 629, referred to.

CIVIL APPELLATE JURISDICTION: Civil Appeal Nos. 1568-69 (NM) of 1988

F From the Order dated 26.11.1987 of the Customs Excise & Gold (Control) Appellate Tribunal, New Delhi in Appeal No. ED (SB) 1648/84 C and 1923 of 1984-C.

G. Ramaswamy, Additional Solicitor General (N.P.), Ms. Indu Málhotra and Ms. Sushma Suri for the Respondent.

G The Judgment of the Court was delivered by

H **SABYASACHI MUKHARJI, J.** These are appeals under Section 35L(b) of the Central Excises and Salt Act, 1944 (hereinafter referred to as 'the Act'), arising out of the order of the Tribunal, dated 26th November, 1987. The issue involved in the present case is whether the Acetic Anhydride manufactured by the respondent and sold to drug

manufacturers i.e. M/s. IDPL is eligible to benefit of exemption under the notification No. 55/75 CE dated 1st March, 1975 as amended by the notification No. 62/78 CE dated 1.3.1978 as drug intermediate.

The respondent manufactured Acetic Anhydride falling under Tariff Item No. 68 of the Central Excise Tariff. It had filed refund claims for Rs.1,57,442.08 and Rs.1,14,587.74 being the duty paid on Acetic Anhydride during the period from 5.2.1981 to 28.6.1981 and from 23.7.1981 to 26.2.1982 contending that these goods were exempt from the payment of duty of excise leviable thereon under the notification referred to hereinbefore. It was contended that Acetic Anhydride is a drug intermediate and all such clearance for which the refund was claimed, had been made for delivery to the drug manufacturers. If drug intermediate is sold or supplied to a drug manufacturer then under the notification duty was not payable. The question, therefore, is, was the item manufactured by the petitioner, during the relevant period, a drug or an intermediate in terms of the notification.

It appears that the Assistant Collector of Central Excise by his adjudication had allowed the refund of Rs.32,261.74 and Rs.87,932.40 out of the aforesaid claim of the respondent under Section 11B(2) of the Act. The aforesaid orders of the Assistant Collector were challenged by the department by preferring appeals before the Collector of Central Excise (Appeals), Madras. The Collector (Appeals) allowed the appeal filed on behalf of the revenue and annulled the order of the Assistant Collector, Bluru, sanctioning sums of Rs.35,261.74 and Rs.87,943.40 respectively and directed that those amounts be returned to the department. Being aggrieved thereby, the respondent preferred appeals before the Appellate Tribunal and the same were allowed. Hence these appeals.

The question was considered in a decision of the learned Single Judge of the High Court of Karnataka in *Mysore Acetate & Chemical Co. Ltd. v. Assistant Collector, Central Excise, Mysore*, [1984] 17 ELT 319, wherein it was held that Acetic Anhydride is a chemical but when it is supplied as a drug intermediate to a drug manufacturer, it would be entitled to exemption under the relevant Notification. The requirement of end-use, though not built into the exemption notification, is not only implied but also becomes imperative in a situation where the product has uses other than as drug intermediate whereas the exemption is limited only to drug intermediate, i.e., only when the product is used as drug intermediate. In this connection reliance was placed on a decision of the Government of India in *Hindustan Organic Chemicals*

A *Ltd.*, where reversing the order of the Excise Authorities of Bombay, the Government by its order dated 14th September, 1981 narrated as follows:

B “Government have considered all the written and oral sub-  
missions. Government find considerable force in the con-  
tention that the view taken by the lower authorities tends  
to defeat the object of the exemption notification. The  
interpretation on the scope of the term ‘Drug Intermediate’  
put by the lower authorities is not warranted on a plain  
reading of the notification. Government observe that the  
notification does not specify the state of use of the item  
C claimed as drug intermediate as the penultimate state i.e.,  
immediately prior to the obtaining of the drug in the  
process of its manufacture. The petitioners have produced  
enough evidence to show that the three items are used in  
the manufacture of drugs. The petitioners have enclosed  
copies of the certificates issued by the National Chemical  
D Laboratory, Pune and the Central Drug Research Insti-  
tute, Lucknow, certifying that Aniline, Para Nitro Chloro  
Benzene and Acetenilide find wide application as inter-  
mediate for drug among other things. The National Chemi-  
cal Laboratory, Pune have certified that the above men-  
E tioned chemicals are drug intermediates to the extent they  
are used in the manufacture of drugs. Government accord-  
ingly set the order in appeal and hold that the petitioners  
should get the benefit of the exemption notification for the  
three items to the extent that they are actually used in the  
F manufacture of drugs. In the Government’s view, this re-  
quirement of end-use though not built into the exemption  
notification is not only implied but also becomes impera-  
tive in a situation where the produce has uses other than as  
drug intermediate whereas the exemption is limited only to  
drug intermediate that is only when the product is used as a  
drug intermediate.”

G It appears that the same principle was reiterated in the case of  
*Shasum Chemicals (Madras) Pvt. Ltd.*, [1982] ELT 786. It is well set-  
tled that the meaning ascribed by the authority issuing the Notifica-  
tion, is a good guide of a contemporaneous exposition of the position  
of law. Reference may be made to the observations of this Court in  
*K.P. Varghese v. The Income Tax Officer, Ernakulam*, [1982] 1 SCR  
H 629. It is a well settled principle of interpretation that courts in con-

struing a Statute will give much weight to the interpretation put upon it at the time of its enactment and since, by those whose duty has been to construe, execute and apply the same enactment.

A

Keeping in view the language used in the exemption notification and the purpose of the notification, the expression 'drug intermediate' is of wide description and substance; and must be so interpreted. Indeed, it was found in the facts of this case that the Acetic Anhydride manufactured by the appellants has been used by M/s. IDPL in the manufacture of drugs.

B

In the light of the purpose for which the goods in question were used, we are of the opinion that in the context the Tribunal came to a correct conclusion. In the premises, the appeals must fail and are accordingly dismissed. There will, however, be no order as to costs.

C

N.V.K.

Appeals dismissed.