Collector of Central Excise Vs. Titaghur Paper Mills

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Court : Customs Excise and Service Tax Appellate Tribunal CESTAT Delhi

Decided On : Apr-22-1985

Reported in : (1985)(21)ELT901TriDel

Appellant : Collector of Central Excise

Respondent : Titaghur Paper Mills

Judgement :

1. In his Order No. 11/17/3/24/78, dated 9-4-1978 the Asstt. Collector of Central Excise, Cuttack Division, said that lime, alum, salt cake and sulphamic acid were not used as raw material or component parts in the manufacture of paper and paperboard and therefore, were not eligible to the benefit of Notification No. 201/79-C.E., dated 4-6-79 amended by Notification No. 105/82-C.E., dated 28-2-1982. The Appellate Collector of Central Excise, Calcutta disagreed with the Asstt.

Collector and in his Order No. 19/OR/84, dated 25-10-84 directed that the appellants should avail set-off benefit in respect of lime, salt cake, sulphamic acid and alum under the Notification No. 201/79-C.E., dated 4-6-79 provided these inputs and the intermediate products that emerged out of them were not removed outside the factory but fully consumed internally in paper making. We are in agreement with the Appellate Collector and do not think his order needs to be set aside or interfered with.

2. Nor dowe agree with the appeal before us that the word "inputs" introduced by Notification No. 105/82-C.E., dated 28-2-82 will make any difference.

3. The learned Counsel for the Titaghur Paper Mills, the assessee in this case, argued before us on 12-4-85 that materials like alum, salt cake, sulphamic acid and lime can be described as inputs in the manufacture of paper.

4. A raw material is a material that is put into the manufacturing system to help in the formation of the finished product, here, the paper. We can see no logic in the arguments of the Asstt. Collector who says, for example, that lime is used for manufacture of caustic soda and therefore, is not a raw material for paper. But caustic soda is used in bleaching paper pulp. The lime is also used to make bleach liquor. The bleach liquor is again used in the manufacture of paper.

The Asstt. Collector's difficulty seems to be that between the lime and the paper these are intermediate products; that lime as such is not put into the system to manufacture paper. This is wrong understanding of an input or a raw material. There is no authority to say that an input or raw material must go directly into the finished product. As long as it is consumed and utilised in a way that result or melts in the production or manufacture of the article in which the system is engaged, it is a raw material and is an input for that finished product.

5. The Asstt. Collector said that salt cake is used for recovery of caustic soda from spent liquor and this caustic soda is used in turn for cooking the pulp. Therefore, said the Asstt. Collector, the salt cake is not a material or component part for paper. He is again totally mistaken. As long as the salt cake is ased in the manner indicated, that is, the recovery of caustic soda (from spent liquor) which is used in the bleaching, treating the pulp, it (salt cake) is very much a raw material and an input in the manufacture of the paper that comes out at the end.

6. Sulphamic acid is used to reduce the degradation of pulp fibres and therefore to improve the quality of the fibre and of the paper. Since the term raw material is held by the Asstt. Collector to mean basic ingredients, the acid was not a raw material. If chemicals used to improve fibre and paper quality are not ingredients/raw materials then we are at a loss to understand what is a raw material. The sulphamic acid adds to the properties of the paper designed to be produced and is an ingredient and an input in that paper.

7. With respect to alum, a part of it is used to treat water used in the manufacture of paper. This alum, therefore, is an input and a raw material because it directly helps in the manufacture of paper. The Asstt. Collector was wrong to deny this alum the benefit of Notification No. 201/79-C.E. However he is correct in respect of the alum used in the clarifloculator which neutralises and treats the effluent before it is dicharged outside the factory precincts. This water does not go into the paper manufacture, though possibly it might do so at a future date; but that is too long a shot for us to work upon. We can see, for our immediate concern, that the water does not go into the manufacture of paper but into the river or lake.

8. The learned Counsel for the department argued that ingredients or raw materials and inputs must be contained in the body of the paper or paperboard. This is a good object in many cases because when a material forms part of the finished product bodily, there can be no further criticism of its status as an input or raw material. But we do not think this is the end of the system. Technology cannot survive on mere physical embodiment. No paper can be produced by heating wood to a pulp and then drying it out. A lot of processing, cleansing, clarifying, neutralising and lot of other things have to be done before we can expect a paper to emerge. It may be true that in the good old days paper took less processing and fewer chemicals in its manufacture but we are not satisfied that this should remain so for all time. We cannot turn our back on technological advance. The contribution that chemicals and other substance make in producing better, stronger, improved, durable paper, have given paper more desirable properties than paper produced in olden times had. If a substance or chemical is used and consumed in order to produce paper or to impart to it certain qualities and properties, we shall say that chemical or substance was an input or a material in the manufacture of the paper. They aid and contribute directly to the generation of the finished paper.

9. The above is our order, and the central excise shall extend the benefit of Notification No. 201/79-CE., to these substances used and consumed in the manufacture of paper. Substances like alum used in treating the effluent water would not be entitled to this concession.