CUSTOMS, EXCISE AND SERVICE TAX APPELLATE TRIBUNAL
HYDERABAD

REGIONAL BENCH - COURT NO. – I

Service Tax Appeal No. 456 of 2012

(Arising out of **Order-in-Appeal** No.103 & 104/2011 dated 31.10.2011 passed by Commissioner of Customs, Central Excise & Service Tax (Appeals-I&III), Hyderabad)

Commissioner of Central Tax .. **APPELLANT**
Hyderabad - III
Kendriya Shulk Bhavan,
L.B Stadium Road,
Basheerbagh, Hyderabad,
Telangana – 500 004.

VERSUS

M/s Advantium Pharma Ltd., .. **RESPONDENT**
100%EOU,
Hyderabad,
Telangana -522 325.

APPEARANCE:

Shri A. Rangadham, Authorized Representative for the Appellant.
Shri Mihir Deshmukh & Shri Abhijeet, Advocates for the Respondent.

CORAM: HON'BLE Mr. A.K. JYOTISHI, MEMBER (TECHNICAL)
HON'BLE Mr. ANGAD PRASAD, MEMBER (JUDICIAL)

FINAL ORDER No. A/30547/2025

Date of Hearing: 27.11.2025
Date of Decision: 27.11.2025

[ORDER PER: A.K. JYOTISHI]

The Department is in appeal against the order passed by the Commissioner (appeals) dated 31.10.2011.

2. M/s Sai Advantium Pharma Ltd., (earstwhile M/s Sai Life Sciences Ltd.,), the respondents are engaged in the business of contract researching and development support to drug and pharmaceutical industry and are, inter alia, providing Scientific or Technical Consultancy (STC) Service. The Department felt that their service would be more appropriately falling under the category of Technical Testing and Analysis Service (TTA). This classification was confirmed by the original Adjudicating Authority. However, on appeal, Commissioner (Appeals), after examining various material produced before him, held that the

scope of work/service which includes preparation of drug compounds of non-scientific or chemically related work which includes ordering reagents and starting material, searching the Chemical literature for route selection, preparing oral or written reports, participation in conferences with the clients and the like and based on the same, and also keeping in view certain clarifications issues by the Ministry in relation to Scientific or Technical Consultancy Service (STC), he held that while the Technical Testing and Analysis Services (TTA) involves mere testing/analysis, whereas, Scientific and Technical Consultancy Service (STC) covers not just executionary aspect but also involves consultation aspect.

3. The Department is in appeal primarily on the ground that the respondents are not involved in any activity especially advise, guide or consultancy as all the activities were under taken by them were under the guidance of their client and the activities were undertaken to deliver the synthesis. This activity resulted in creation of sample compound and the entire validity of service depends wholly on the analytical testing of the resultant compound. Therefore, it is more appropriately classifiable under Technical Testing and Analysis Service (TTA).

4. On the other hand, the respondent submits that Commissioner (Appeals) has passed a reasoned order based on correct appreciation of the facts and law holding their service as falling under Scientific and Technical Consultancy Service (STC). In support thereof, it was submitted that their Research & Development activity was carried out by qualified scientists and it was in the nature of advise or consultancy or technical assistance and this Research & Development is related to medicinal chemistry, which is a specialized discipline of science. Further, the research under taken by them involves studying technical feasibility of the synthetic routes suggested by the clients

and also to search for alternate routes discussing with the clients, therefore, the scope of the contract to provide scientific consultancy with regard to drug discovery. It was further clarified that the respondent takes up the entire process of research activity and advise the client and the way forward and prepares detailed reports, participated in conferences etc. He has relied on the judgment in the case of Midas Care Pharmaceuticals Pvt Ltd., Vs Commissioner of Central Excise, Aurangabad [2015 (37) S.T.R. 346 (Tri-Bom)], wherein, inter alia, it was held that the service relates to research and development activity and the appellants are not undertaking the testing analysis activity separately and the tests were being conducted to find out whether the products as per the formulae hence it cannot be said that the appellants are in technical testing and analysis. Similarly, in the case of Environment Protection Training and Research Institute Vs Commissioner of Customs, Central Excise and Service Tax, Hyderabad – IV [2020 (34) GSTL 429 (Tri-Hyd)], wherein the Hon'ble Tribunal has held as under:

> **8.** Having held that they are rendering scientific and technical consultancy service, the Assistant Commissioner has divided value of the services rendered by them under the scientific and technical consultancy service into testing charges and report preparation charges. He sought to classify testing charges under 'technical testing and inspection services' and held that the same were exempted as the service was rendered with respect to environmental clearances. He sought to charge service tax only on the report preparation charges. As per Section 65A of the Finance Act, 1994, where a service is rendered is a composite service consisting a combination of different services it shall be classified as if they consisted of a service which gives them their essential character. In this case, the essential character of the service rendered by the appellant is scientific and technical consultancy service and the same cannot be divided into different services for the purpose of calculation of service tax. This mistake of the Assistant Commissioner was corrected by the Commissioner in his impugned Order-in-Revision. Therefore, we find no infirmity in said order. The impugned order is upheld and the appeal is rejected.

5. Heard both the sides and perused the records.

6. We find that the Commissioner (Appeals) has examined the relevant documents including the scope of the agreement known as Contract Research Agreement. He has especially drawn attention to certain terms of contracts at para 10 of the impugned order in support that the respondents were required

to perform certain research activities for the preparation/synthesis of target compound and that all the contracts invariably specified that the researchers / project in-charge had to participate in weekly conferences with their counter parts of overseas clients to interact and advise with regard to appraisal of stage of development/constraints and technical feasibility of Chemical Synthetic routes suggested and also searching for alternative Chemical Synthetic routes to be followed. He also took in account the transcripts which contained detailed molecular structures of the drugs being developed/synthesized by the respondent under contracts with foreign clients and each of such product developed was given a separate project number in the transcripts of the tele conferences. He also took in to account the scope of the Scientific and Technical Consultancy Service (STC) which, inter alia, provided that the consultation may be in the nature of an expert opinion/advise in regard to scientific or technical feasibility. Thereafter, based on his appreciation of facts, it was also observed that the said research and manufacturing agreement also involved a scope for testing, however, the testing activity was incidental or ancillary to the main activity of research and process development. It was also held that the Technical Testing and Analysis Service (TTA) involves mere Testing Analysis and furnishing of report thereof. He has also relied on the clarification given by the Ministry vide letter no. B.II/1/2000-TRU dated 16.07.2001, whereby, it was clarified that mere testing would not attract Service Tax under the category of STC and the executionary transaction of mere testing / analysis as well as furnishing of report thereto were brought under Service Tax under the category of Technical Testing and Analysis Service w.e.f 01.07.2003, whereas Scientific and Technical Consultancy Service had come into 16.07.2001 itself. It was also held that the appellant had exported the said Scientific and Technical Service in terms of Export of Service Rules.

7. We find that the Commissioner (Appeals) has examined the scope of contrasting classifications vis-à-vis, the scope of contract research agreement entered by the respondent with their clients abroad and has covered the said activity under the purview of Scientific and Technical Consultancy service and not under TTA. We find that this order is well reasoned and based on factual appreciation and there is no substantive ground contrary to the findings of the Commissioner (Appeals) provided by the Department. In view of the same, we do not find any infirmity in the order passed by the Commissioner (Appeals).

8. Accordingly, the appeal filed by the Department is dismissed.

(Operative part of this order was pronounced
in court on conclusion of the hearing)

(A.K. JYOTISHI)
MEMBER (TECHNICAL)

(ANGAD PRASAD)
MEMBER (JUDICIAL)

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