

**CUSTOMS, EXCISE & SERVICE TAX APPELLATE  
TRIBUNAL  
BANGALORE**

REGIONAL BENCH - COURT NO. 1

**Central Excise Appeal No. 531 of 2012**

(Arising out of Order-in-Original No. 36/2011 dated 30.12.2011  
passed by the Commissioner of Central Excise, Bangalore.)

**M/s. General Commodities Pvt. Ltd.**

604, Queens Corner A  
3 Queens Road,  
Bangalore - 560 001.

Appellant(s)

*VERSUS*

**Commissioner of Central  
Excise and Service Tax,**

Central Revenue Building,  
Queens Road,  
Bangalore - 560 001.

Respondent(s)

**APPEARANCE:**

Mr. B.N. Gururaj, Advocate for the Appellant

Mr. M.A. Jithendra, Assistant Commissioner (AR) for the Respondent

**CORAM: HON'BLE DR. D.M. MISRA, MEMBER (JUDICIAL)  
HON'BLE MRS R. BHAGYA DEVI, MEMBER  
(TECHNICAL)**

**Final Order No. 20465 /2026**

DATE OF HEARING: 12.12.2025

DATE OF DECISION: 02.04.2026

**PER : DR. D.M. MISRA**

This appeal is filed against Order-in-Original No.36/2011 dated 30.12.2011 passed by the Commissioner of Central Excise, Bangalore-II Commissionerate.

2. Briefly stated the facts of the case are that the appellants are basically engaged in the export of coffee and spices. These commodities are purchased from growers, agents, farmers and traders and after processing the same viz., de-husking, sorting,

bulking, grading, packing, etc., these are exported through ports of Cochin, Haldia, Mangalore, ICD, Bangalore. The finished goods were exported in HDPE/PP woven Jumbo bags, HCF jute bags, poly sacks, plylined PP/HDPE woven bags etc., after being packed and machine stitched against export under target plus scheme i.e., exports made during 2004-05. 12 target plus licenses were granted to them on 05.09.2006 by JDGFT, Chennai. Against this authorization, they had imported plastic granules of various grades duty-free through Chennai Port. These plastic granules of various grades were used in the manufacture of PP fabrics, which in turn are used in the manufacture of jumbo bags, liners, assorted plastic bags, etc. The imports were made from high sea sales as well as direct purchases.

3. The Appellant were engaged in the manufacture of PP fabric, liners, plain film flexible, assorted plastic bags, pp woven fabrics, etc., during the period December 2007 to January 2009. However, after closure of their factory, most of the above products were manufactured on job work basis. The raw materials of various grades of imported plastic granules were brought in trucks to their factory in Bangalore and sent to the job workers premises for processing. Once the job worker completes the process of conversion of imported granules into finished goods, it did not come to their premises but were sold to the job worker, against raising excise invoices and on payment of appropriate duty on the transaction value. For selling this job worked goods to the job worker, necessary permission was obtained from the jurisdictional Assistant Commissioner. Wherever there was no permission obtained for sale from the job worker premises, they brought the goods back to their factory; and stitch it and after packing, clear the finished goods. The department has initiated investigations against the appellant in

May 2010 alleging that the price at which the goods are sold by the appellant to the job worker is undervalued and consequently, after recording statement of the person concerned, redetermined the assessable value of the goods and issued show-cause notice on 16.06.2011 demanding differential duty of Rs.1,52,83,090/- for the clearance made during December 2007 to January 2009. On adjudication, the demand was confirmed along with interest and penalty. Hence, the present appeal.

4. At the outset, the learned advocate for the appellant has submitted that they are engaged in the export of coffee and spices under target plus scheme. Since the said coffee and spices exported were packed in PP/HDPE bags, they have imported PP/HDPE/LDPE granules through high sea sales using the TPS scrips. The custom duty liability was debited in the scrips and no part of the duty was paid in cash. After receiving the said PP/HDPE/LDPE granules into their factory, they issued the same to job worker, for further processing, following the procedure laid under Notification No.214/86-CE. After the final products viz., PP Fabrics, HDPE fabrics and LDPE linings were manufactured, it was sold to the job workers themselves after obtaining necessary permission. In the impugned order, the learned Commissioner directed redetermination of the transaction value under Rule 11 of Central Excise Valuation (Determination of Price of Excisable Goods) Rules, 2000 observing that there are instances of sale of final products below the cost of production; the transaction was so structured that the appellant and job workers were interdependent and since they were not related, the value was required to be determined under Rule 11 of Central Excise Valuation (Determination of Price of Excisable Goods) Rules, 2000. Further, he has submitted that though the appellant had submitted three CAS-4 certificates to justify the transaction price between them and the job workers,

for the products viz., Polypropylene Fabrics, High Density Polyethylene Fabric and LDPE lining, but, the learned Commissioner has discarded the same and added arbitrarily 41.48% profit margin to the cost of production on all clearances and demanded differential duty by stating to some stray instances of sale which has not been specifically mentioned in the order. The learned advocate has further submitted that there is no provision under the Central Excise law which prohibits the sale of the final product to the job workers. The business model adopted by the appellant was with the intent to work within the scope of the restriction imposed on the use of TPS scrips under FTP. Further, he has submitted that occasional sale of the final product below the cost of production itself cannot be the basis for demand if there is no additional consideration flowing to the appellant from the buyer. The department has misconstrued the duty exemption for imports under TPS scrips as additional consideration and observes that the beneficiary is the job worker. The said finding does not fall under the scope of additional consideration as defined under Rule 6 of Valuation Rules, 2000.

5. He has further submitted that, in the present case, the assessable value ought to have been determined in accordance with Rule 10A(i) of the Central Excise (Determination of Price for Excisable Goods) Rules, 2000 and not under Rule 11 which is a residuary rule. Further, he has submitted that neither the show-cause notice nor the impugned order referred to any specific transaction to support the adoption of highest profit margin 41.48% which was applied uniformly in redetermining the assessable value ignoring the fact that there were three types of raw materials and different types of final products resulting into gross error and injustice to the appellant. He submitted that the appellant has placed on record the Profit and Loss Account of

their plastic business which shows profit earned during the period, even though, there are some sales below the cost of production but there was average profit of around 7% to 8% overall. Further, he has submitted that they have been filing monthly ER-1 returns discharging duty on the declared transaction value, hence, invoking extended period of limitation in confirming the demand is bad in law.

6. Learned Authorised Representative (AR) for the Revenue reiterated the findings of the learned Commissioner.

7. Heard both sides and perused the records. The short question involved in the present appeal for consideration is whether the transaction value declared by appellant on sale of job worked finished goods viz., PP fabric, liners, plain film flexible, assorted plastic bags, pp woven fabrics, etc., to the job workers themselves be determined under Rule 10A(i) or Rule 11 of the Central Excise (Determination of Price for Excisable Goods) Rules, 2000. Undisputed facts of the case are that the appellant imported PP/HDPE/LDPE granules against their target plus scrips and sent the same to the job worker for conversion into PP fabrics, liners, plain film flexible and HDPE linings. On conversion, they have received certain quantity of finished goods but major quantity of finished goods on payment of duty on agreed transaction value had been sold to the job workers. The department has doubted the transaction value alleging that the price is not the sole consideration between the appellant and the job worker and also alleged that the transaction is not on principal-to-principal basis and the whole arrangement is to manipulate the transaction value. Further, it is alleged that the interdependent transactions between the appellant and the job worker who is not entitled to the benefit of import of inputs under TPS scrips cannot be considered as a true transaction, accordingly, rejected the transaction value declared under

Section 4(1)(a) of Central Excise Act, 1944 and resorted to determine the value under Section 4(1)(b) read with Rule 11 holding that other rules cannot be made applicable to the facts of the present case. In the process of redetermination of the assessable value, the learned Commissioner has loaded cost of manufacture declared by the appellant referring to Chartered Accountant certificate arrived at in accordance with the CAS-4 method by adding 41.48% margin of profit in arriving at the assessable value. The learned Commissioner observed that there are certain transaction of similar goods sold by the appellant independently with the said margin of profit; however, no specific transaction has been referred to in the impugned order or in the show-cause notice against the appellant to prove that they had sold the converted job worked fabrics/ fabrics manufactured by them at a higher price with 41.48%, therefore, mere loading cost of manufacture arrived as per CAS-4 method with 41.48% margin of profit cannot be sustained. Further, from the records, we find that the appellant has submitted cost of production by adopting CAS-4 method only to justify that the sale made by the appellant to the job worker is not abnormal and an acceptable transaction at arm's length.

8. We find merit in the arguments of the leaned advocate for the appellant, in as much as, it is not in dispute that the granules were purchased and purchase price of granule varied from 56.09 to 92.37 as submitted by the appellant during the course of hearing before the adjudicating authority as well as before us which has been recorded in the impugned order. Therefore, adopting lowest purchase price and highest selling price to determine the margin of profit cannot be sustained being not supported by the law laid for valuation or supported by the accounting principles.

9. As rightly pointed out by the appellant, method of valuation needs to be adopted in the present case, where the finished goods are sold to the job workers, is Rule 10A(i) of the Central Excise (Determination of Price for Excisable Goods) Rules, 2000, which reads as follows:

Rule 10A. Where the excisable goods are produced or manufactured by a jo-worker, on behalf of a person (hereinafter referred to as principal manufacturer), then, -

(i) in a case where the goods are sold by the principal manufacturer for delivery at the time of removal of goods from the factory of jo-worker, where the principal manufacturer and the buyer of the goods are not related and the price is the sole consideration for the sale, the value of the excisable goods shall be the transaction value of the said goods sold by the principal manufacturer;

10. There is no bar under the said Rule to sell the finished goods to the job worker after charging full price which includes the cost of material plus conversion charges and also margin of profit as agreed. The price charged by the appellant is duly supported by CAS-4 certificate and to which, the addition margin of 41.48% by the department without any basis, hence cannot be sustained. In the result, the impugned order is set aside and the appeal is allowed with consequential relief, if any, as per law.

(Order pronounced in Open Court on 02.04.2026)

**(D.M. MISRA)**  
**MEMBER (JUDICIAL)**

**(R. BHAGYA DEVI)**  
**MEMBER (TECHNICAL)**