

**CUSTOMS, EXCISE AND SERVICE TAX APPELLATE TRIBUNAL
HYDERABAD**

REGIONAL BENCH - COURT NO. - I

Excise Appeal No. 23278 of 2014

(Arising out of **Order-in-Original** No.HYD-EXCUS-003-COM-19-14-15 dated 17.07.2014
passed by Commissioner of Central Excise, Customs & Service Tax, Hyderabad)

M/s Srinivasa Enterprises

Plot No. 7,8 & 9,
Survey No. 511 & 52,
Main Road,
Nadergul Village,
Saroornagar Mandal,
Rangareddy District,
Telangana - 501 510.

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APPELLANT

VERSUS

**Commissioner of Customs &
Central Excise
Hyderabad - III**

L.B. Stadium Road,
Basheerbagh,
Hyderabad,
Telangana - 500 004.

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RESPONDENT

APPEARANCE:

Shri R. Raghavendra Rao, Consultant for the Appellant.

Shri B. Sangameshwar Rao, Authorized Representative for the Respondent.

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

FINAL ORDER No. A/30323/2026

Date of Hearing: 08.06.2026

Date of Decision: 22.06.2026

[ORDER PER: ANGAD PRASAD]

The present appeal has been filed by M/s Srinivasa Enterprises against the impugned Order-in-Original No. HYD-EXCUS-003-COM-19-14-15 dated 17.07.2014, whereby, Central Excise Duty has been confirmed by including in the assessable value, the value of rails supplied free of cost by Indian Railways for manufacture of glued joints supplied by the appellant to the Railways.

2. The dispute lies in a narrow compass. The sole basis adopted by the Adjudicating Authority for confirmation of demand is that during the relevant period, namely from 17.03.2012 to 03.02.2014, no exemption was available for exclusion of the value of rails supplied free of cost by Indian Railways and, therefore, such value was required to be added to the assessable value of glued joints manufactured and supplied by the appellant.

3. Subsequent to the passing of the impugned order, the statutory provision underwent a significant change by virtue of retrospective amendment brought through the Finance Act, 2015. The effect of such amendment and its impact on the impugned demand is the issue requiring determination in the present appeal.

4. The fact, in brief, is that the appellant is engaged in manufacture of glued joints classifiable under chapter heading 8530 of the Central Excise Tariff Act, 1985. Indian Railway awarded contracts to the appellant for manufacture and supply of glued joints. For execution of the said contracts, rails were supplied free of cost by Indian Railways. The appellant undertook the process of manufacturing glued joints using such rails and supplied the finished goods to the Railways in accordance with contractual requirements.

5. Proceedings were initiated against the appellant alleging that the value of rails supplied free of cost by Indian Railways was liable to be included in the assessable value of the glued joints. Consequently, duty demand along with interest and penalties was proposed.

6. The Adjudicating Authority confirmed the demand primarily on the ground that during the relevant period there existed no specific exemption permitting exclusion of the value of free-supplied rails from assessable value.

7. Aggrieved by the said order, the appellant filed the present appeal before this Tribunal.

8. Learned Counsel for the appellant submits that the very foundation of the impugned demand no longer survives in view of the retrospective amendment introduced through the Finance Act, 2015. It is submitted that the Government, after considering the peculiar nature of supplies made to Indian Railways, inserted Entry No. 205A in Notification No. 12/2012-C.E. through the Finance Act, 2015 and granted retrospective exemption in respect of the value of rails supplied free of cost by Indian Railways for manufacture of glued joints. It is further argued that the retrospective exemption specifically covers the period from 17.03.2012 to 03.02.2014, which is exactly the period involved in the present proceedings.

9. According to the appellant, once the legislature itself has retrospectively exempted the value of free-supplied rails from duty, the basis on which the Adjudicating Authority confirmed the demand disappears and the impugned order cannot be sustained. The Learned Counsel submits that since the retrospective amendment was not available before the Adjudicating Authority at the time of adjudication, the matter may be remanded for fresh consideration in the light of the amended statutory provisions.

10. The Learned Authorized Representatives reiterates the findings recorded in the impugned order. However, he fairly submitted that the amendment introduced through the Finance Act, 2015 was not available before the Adjudicating Authority while passing impugned order and appropriate directions may be issued by the Tribunal in accordance with law.

11. We have heard both the sides and perused the records with their submissions.

12. There is no dispute regarding the factual position that the appellant manufactured glued joints using rails, supplied free of cost by Indian Railways. It is also not in dispute that the Adjudicating Authority confirmed the demand solely on the ground that no exemption was available during the relevant period for exclusion of the value of rails supplied free of cost.

13. The records reveal that subsequent to the passing of the impugned order, Parliament enacted the Finance Act, 2015, whereby, Entry No. 205A was inserted in Notification No. 12/2012-C.E. granting exemption in respect of rails supplied free of cost by Indian Railways for manufacture of glued joints. More importantly, the exemption was made applicable retrospectively for the period from 17.03.2012 to 03.02.2014. The period covered by the retrospective exemption is precisely the same period involved in the present proceedings. The legal effect of retrospective exemption is well settled. Once the legislature grants exemption with retrospective effect, the amended provision is deemed to have existed from the date specified therein. Consequently, all pending proceedings are required to be decided in accordance with amended law.

14. In the present case, the Adjudicating Authority proceeded on the basis that no exemption existed. That premise no longer survives after enactment of the Finance Act, 2015. The very basis for inclusion of the value of free-supplied rails in the assessable value, therefore, stands materially altered. The Tribunal cannot ignore a retrospective legislative amendment which directly governs the dispute before it. The impugned order must necessarily be tested in the light of the amended statutory framework. At the same time, we find that the Adjudicating Authority had no occasion to examine the appellant's eligibility under the retrospective exemption because the amendment was not in existence when the impugned order was passed.

15. In our considered view, the interests of justice would be served by remanding the matter to the Adjudicating Authority for fresh adjudication in the light of retrospective exemption introduced through Finance Act, 2015.

16. Accordingly, we hold that the impugned demand was confirmed on the premise that no exemption was available in respect of rails supplied free of cost by Indian Railways. Subsequent to adjudication, retrospective exemption has been granted through insertion of Entry No. 205A in Notification No. 12/2012 – C.E. by the Finance Act, 2015. The retrospective exemption covers the very period involved in the present dispute, namely 17.03.2012 to 03.02.2014. Therefore, impugned order requires reconsideration in light of the subsequent statutory amendment.

17. All issues including eligibility to exemption, valuation, quantification of demand, interest, penalty, limitation and all other legal and factual contentions are kept open.

18. In view of the above discussion, the impugned order is set aside and matter is remanded to the Adjudication Authority for fresh adjudication in accordance with law after taking into consideration the retrospective exemption granted through amendment as discuss above.

19. Therefore, appeal is allowed by way of remand.

(Pronounced in the open court on 22.06.2026)

(A.K. JYOTISHI)
MEMBER (TECHNICAL)

(ANGAD PRASAD)
MEMBER (JUDICIAL)