CUSTOMS, EXCISE & SERVICE TAX APPELLATE TRIBUNAL
BANGALORE

REGIONAL BENCH - COURT NO. 1

Central Excise Appeal No. 26961 of 2013

(Arising out of Order-in-Original No.07/2013-Commr/C.Ex. dated 28.03.2013 passed by the Commissioner of Central Excise and Customs, Belgaum)

M/s. Gem Granites,
Balakundi Village, Hungund Taluk,
Bagalkote District. — Appellant(s)

VERSUS

Commissioner of Central Excise
No.71, Club Road, Central Excise
Building, Belagavi-590 001. — Respondent(s)

APPEARANCE:

Mr. Ravi Raghavan with Ms. Ashwini Nag, Advocates for the Appellant.
Mr. Malatesh S Kulakarni, Asst. Commissioner (AR) for the Respondent.

CORAM:

HON'BLE MR. P.A. AUGUSTIAN, MEMBER (JUDICIAL)
HON'BLE MRS. R. BHAGYA DEVI, MEMBER (TECHNICAL)

FINAL ORDER NO. 20745 / 2026

DATE OF HEARING: 26.05.2026
DATE OF DECISION: 23.06.2026

PER: R. BHAGYA DEVI

This appeal is filed by the appellant M/s. Gem Granites, Madras against Order-in-Original No.07/2013-Commr./C.Ex. dated 26.03.2013 passed by the Commissioner of Central Excise and Customs, Belgaum.

2. The facts are the appellant M/s. Gem Granites is a 100% Export Oriented Unit (EOU) approved for manufacture of granite slabs, granite memorial, monuments etc; These manufacturing activities were undertaken by the appellant at their unit in

Injampakkam Tamil Nadu and at a later date at Balakundi village in Bagalkot District (Karnataka), which was included as additional location for the manufacture of products mentioned in their permission letter dated 21.05.1983. They procured the customs private bonded warehouse licence for import of capital goods and these capital goods will be used for quarrying operations in the mines situated at Bala Kundi (Karnataka). It is the case of the Revenue that appellant was registered in Tamil Nadu for manufacture of various granite products which were to be exported. As per Notification No.13/81-Cus. dated 9th February 1981, customs duties were exempted during the relevant period only if the manufacturing operations were carried out in customs bonded warehouse and the imported goods were to be used only for the manufacture of those articles that were to be exported. Since the capital goods were utilised for excavation of granite blocks in their quarry at a place different from their manufacturing activities, it was alleged that they had violated the conditions of the Notification and accordingly, demanded duty on both the goods imported and the goods which were procured indigenously. The Commissioner confirmed the duty amount of Rs.6,86,40,148/- under the Customs Act, 1962 and Rs.1,22,25,245/- under the Central Excise Act, 1944. Aggrieved by this order, the appellant is in appeal before us.

3. The Learned Counsel submits that the Appellant is engaged in the manufacture of granite building sawn slabs and polished slabs, granites memorials, monuments, markers, kerbstones and architectural pieces at Injampakkam Village, Tamil Nadu. Further he submits that vide the Letter of Permission No. PER: 33(83) / EG No. 33(83) Misc. dated 21.05.1983, the Appellant was granted permission for conversion of the existing manufacturing unit at Injampakkam Village to a unit under the 100% Export Oriented Unit for manufacture of

granite articles. In 1983, the State of Tamil Nadu reserved the leasing rights for quarrying granite in the name of a Government Company, hence the Appellant obtained quarrying lease from the State of Karnataka for undertaking quarrying of rough granite blocks at R.S. No. 293/1B/1, Balakundi Village, Hungund Taluka, Karnataka. The Ministry of Industry and Commerce vide Letter No. E.O. 33 (83)/Misc/LA III dated 24.07.1985 included the manufacturing unit at Balakundi Village as an additional location in respect of the LOP. Subsequently, the Central Board of Excise and Customs vide Notification No. 234/1985 dated 03.08.1985 declared Balakundi Village to be a warehousing station for the purposes of setting up 100% EOU. The Appellant vide letter dated 09.12.1985 informed the Central Excise Authorities, Bagalkot that it was undertaking quarrying operations at Balakundi Village by utilizing exempted capital goods for the said purpose after intimating that the quarrying site at R.S. No. 293, Balakundi Village had been declared as a 'mine' under the Mines Act, 1952.

3.1. He further submits that the Appellant was a granted private bonded warehouse license dated 03.04.1986 under Section 58 of the Customs Act, 1962 for the godown situated R.S. No. 293/1B/1, Balakundi Village. He was also granted in-bond manufacturing license dated 03.04.1986 for the premises at R.S. No. 293/1B/1, Balakundi Village. At the EOU premise located at R.S. No. 293/1B/1, Balakundi Village, the Appellant undertook quarrying operations for quarrying of raw materials viz. rough granite block for further processing and manufacture of granite articles. The capital goods and consumables were procured at the Appellant's main unit in Tamil Nadu and transferred to R.S. No. 293/1B/1, Balakundi Village on filing of Shipping Bills and receipt of permission from the Assistant Commissioner of Customs, Madras vide the letter dated

30.04.1986. The officers vide letter dated 30.12.1986 also acknowledged receipt of the transferred goods at R.S. No. 293/1B/1, Balakundi Village. The appellant regularly submitted details in Form ER-2 to the jurisdictional Departmental Authorities vis-à-vis the duty-free imports and procurement of goods, export performance, details of inter-unit transfers from Tamil Nadu as well as DTA clearances, if any. At the quarrying site at Balakundi Village, the appellant utilized the duty-free capital goods and consumables to excavate granite blocks, which were used for manufacture of granite articles. The appellant shifted the procured capital goods such as cranes and drills from the main unit at Tamil Nadu to the quarrying site at R.S. No. 293/1B/1, Balakundi Village under bond for manufacturing purposes in terms of Form CT-3 issued by the respective authorities and also vide letter dated 11.01.1993 were permitted to receive the same in the quarry site at Balakundi Village in relation to the manufacturing activities. At Balakundi Village, the quarried granite blocks were trimmed and dimensional blocks cut into slabs using gang saw and grit, then polished using abrasives and the polished granite slabs were transferred under bond to the main unit of the Appellant in Tamil Nadu by following the inter-unit transfer procedures for manufacture of monuments, sawn slabs, etc. Since the goods were transferred under bond, no duty was paid. It is stated that the appellant manufactured granite articles at the main unit in Tamil Nadu, which were exported and a portion of the polished granite slabs manufactured at R.S. No. 295, Balakundi Village was also exported from the same location.

3.2. He further submits that thereafter nine (9) show-cause notices were issued proposing Customs duty and Excise duty demand under Section 28 of the Customs Act and Section 11A of the Central Excise Act respectively, along with proposals for

confiscation, penalty and for de-bonding the quarry site at R.S. No. 293/1B/1, Balakundi Village. It is submitted that the impugned order has confirmed the demand on the finding that the duty-free imported and procured capital goods and consumables were not used in the manufacturing activities for production of goods to be exported but instead were used for quarrying of granite; thus, the conditions of the Notification 13/81-Cus. and Notification 123/81-C.E. were not fulfilled.

3.3. The Learned Counsel submits that undisputedly, quarrying was covered under the EOU scheme during the relevant period in terms of the Export and Import Policy, 1997-2002 which governed the provisions relating to EOUs. In terms of the policy, "manufacture meant to make, produce, fabricate, assemble, process or bring into existence, by hand or by machine, a new product having a distinctive name, character or use and shall include....". He further stated that for the purpose of the EXIM Policy, manufacture shall also include *inter alia* mining. Hence, it is submitted that manufacture means the making, producing, processing or bringing to existence a new product and the activity of mining is also specifically covered under 'manufacture' in terms of the EXIM Policy for *inter alia* the purposes of EOUs. 'Mining' is defined in Section 2(j) of the Mines Act, 1952 to mean any excavation where any operation for the purpose of searching for or obtaining minerals has been or is being carried on. 'Minerals' are defined in Section 2(jj) of the Mines Act to mean all substances which can be obtained from the earth by mining and *inter alia* quarrying. Therefore, since mining includes the activities of excavation for the purpose of obtaining minerals, which are substances that can be obtained from the earth by the processes such as quarrying, the capital goods used for quarrying can be considered as a part of their manufacturing activities.

3.4. Relying on the Circular No.45/1990-CX3 dated 27.08.1990 wherein it was clarified that a quarry was a mine and that quarried products were mining products hence the activity of quarrying granite undertaken at Balakundi Village (which was included in the LOP as an additional location for manufacture of granite slabs) was well within the scope of 'manufacture' for the purposes of the EOU scheme. Thus, the duty-free imported and indigenously procured goods were correctly utilised and they did not violate any conditions of the Notification 13/81-Cus. /123/81-C.E. it is submitted that the entire objective of including the quarry site at Balakundi Village as an additional location in the LOP was to facilitate access to raw materials viz. granite, without which the polished or processed granite slabs could not have been manufactured for exportation. Reliance is also placed on the decision of the Hon'ble Madras High Court in ***Neyveli Lignite Corporation Limited v. Commissioner of Commercial Taxes, Order dated 19.09.2024***, wherein it was held that mining of lignite within the ambit of 'manufacture' under the Tamil Nadu Value Added Tax Act, 2007.

3.5. The Appellant submits that the impugned order has incorrectly read the language of the notifications i.e. 'for the purpose of manufacture' as 'in the manufacture' and assumed that only those goods which are directly utilised in the manufacture of granite slabs are entitled to exemption from these duties. Reliance is placed on the decision in ***Oblum Electrcial Industries Pvt. Ltd. v. Collector of Customs 1997 (94) E.L.T. 449 (SC)*** wherein it was held that the expression materials required to be imported for the purpose of manufacture of products cannot be construed as referring only to materials which are used in the manufacture of the products. It is submitted

that they utilised the duty-free imported and indigenously procured goods for quarrying of rough granite blocks, which were thereafter cut to size, processed and polished to obtain granite slabs for exportation. Hence, the exemption from duties availed for the imported and procured capital goods and consumables for the activity of quarrying in Balakundi Village cannot be questioned by the impugned order as such activities are integral and have a direct connection with the activity of manufacture of articles for export. Reliance is placed on the decision of this Hon'ble Tribunal in ***Siva Shankar Granites (P) Ltd. v. Commissioner, 2006 (206) E.L.T. 505 (Tri.-Bang.),*** wherein the capital goods procured by an EOU under the Notification 123/81-C.E. was used in quarry for mining. Relies on the decision in the case of ***Waterbase Limited v. Commissioner of Central Excise, 2004 (170) E.L.T. 198 (Tri.-Bang.),*** wherein goods procured duty-free by the EOU to pump sea water into the farm for growing shrimps was held to be used in connection with the farming operations and hence, eligible for the exemptions under Notification 123/8 1-C.E. Reliance is further placed on the decision of the Hon'ble Supreme Court in ***Vikram Cement v. CCE, 2006 (194) E.L.T. 3 (SC)***, wherein it was held that the Cenvat credit on explosives used for blasting mines to produce limestone for use in the manufacture of cement/clinkers within a factory situated at some distance away from the mines could not be denied on the ground that they were not used as inputs within the factory. Further relied on the following decisions:

- **Union of India v. Hindustan Zinc Ltd., 2002 (142) E.L.T. 289 (Raj.)**,
- **Kudremukh Iron Ore Ltd. v. Collector of Customs, 2000 (121) E.L.T. 769 (Tribunal-LB)**
- **GE India Technology Centre v. Commissioner of Customs, 2009 (247) E.L.T. 402 (Tri.-Bang.)**

- **Vithat Grape Growers Co-Op Soc. Ltd. v. Commissioner of Central Excise, 2005 (187) E.L.T. 258 (Tri.-Mumbai)**
- **Indian Charge Chrome Ltd. v. Commissioner of Central Excise, 2008 (228) E.L.T. 55 (Tri.-Kolkata)**
- **Delstar Pvt. ltd. v. Commissioner of Central Excise, 2010 (259) E.L.T. 244 (Tri.-Mumbai)**
- **Nitin Spinners Limited v. CESTAT, 2006 (198) E.L.T. 490 (Raj.)**

3.6 The impugned order has held that until the introduction of Notification No. 58/2000- Customs and Notification No. 37/2000-C.E. both dated 08.05.2000, EOUs were not permitted to import any goods for use in quarrying of granites and hence, the appellant had violated the conditions of the exemption notifications prevalent during the relevant period. The Circular No. 49/2000-Customs dated 22.05.2000 clarified the amendments in the EXIM Policy vide which granite sector units in EOUs were allowed to freely transfer/supply capital goods and inputs to quarries with prior intimation to the Department and the granites so quarried were to be brought back to the EOU for further manufacture and export. Further, Para 10 of the Handbook of Procedures to the EXIM Policy was amended to include a 'condition of import' that granite sector EOUs may transfer capital goods and inputs to the quarry not forming part of EOU premises with prior intimation. The Appellant submits that while the above amendments allowed EOUs to freely supply capital goods imported duty free for use in quarrying of granites at a separate quarry site, the said amendment has no significant impact on EOUs that already included the quarry site as a location in the LOP for in-bond manufacture. Hence, it is submitted that the above amendment in 2000 was only applicable wherein quarrying activities were being undertaken outside the EOU and not within the EOU, such as in the case of the Appellant. Hence, it is submitted that the Appellant had

correctly availed the exemptions for the goods imported duty free for use in quarrying activities in Balakundi Village.

3.7 The Appellant submits that the impugned order has not invoked the extended period of limitation under the proviso to Section 28 of the Customs Act or Section 11A of the Central Excise Act, the mere existence of a bond furnished by the Appellant cannot be sufficient reason to demand duties for the period beginning from 1986 by issuing show-cause notices only from 1995 onwards. He stated that neither the show-cause notices nor the impugned order have ordered the enforcement of the bond furnished by the Appellant to recover the duties; hence, the department cannot shield behind the existence of the bond for justifying that the demand is not time barred. In view of the several letters and permissions received, in addition to the ER-2 Returns and CT-3 forms regularly as prescribed during the relevant period were submitted by them, extended period under Section 28 of the Customs Act and Section 11A of the Central Excise Act cannot be invoked and therefore, the entire demand is barred by limitation. Reliance in this regard is placed on the decision in **PSL Limited v. Commissioner of Customs, 2015 (328) E.L.T. 177 (Tri.-Ahmd.),** affirmed in **2016 (331) E.L.T. A45 (SC), Morteo Transfreight Reefer, Container Ltd. v. CCE, 2016 (341) E.L.T. 136 (Tri.-Mum.) Sterline Optical Technologies Ltd. v. CCE, 2011 (270) E.L.T. 266 (Tri.-Mumbai)** and **G.T. Cargo Fitting India Pvt. Ltd. v. Commissioner, 2019 (370) E.L.T. 1181 (Tri.-All.).**

3.8 The Appellant submits that vide Circular No. 122/1995-Cus. dated 28.11.1995, the CBEC had directed that no show-cause notice should be issued to an EOU on the issue involving the interpretation of the provisions of a notification unless the Board has examined the issue and settled the legal position.

Further, it is submitted that the EOUs are subject to the jurisdiction of the Development Commissioner and without their determination, no show-cause notice can be issued for demand of duties or for ordering debonding of the EOU. Reliance is placed on the Circular No. 21/1995-Customs dated 10.03.1995 and the Circular F.No. 305/86-FTT dated 12.09.1986 in this regard. Reliance is also placed on the decision in ***Apex Recyling Pvt. Ltd. v. CCE, Delhi, 2008 (230) E.L.T. 599 (Tri.-Del.).***

3.9 The learned counsel submits that since no conditions of the exemption Notifications were violated, the action of the department to propose confiscation is unreasonable; hence, the goods cannot be held to be liable for confiscation under Section 111(o) of the Customs Act, 1962, to invoke Section 125 of the Customs Act, 1962 or to invoke the provisions of Rule, 209 of the Central Excise Rules and no penalties can be imposed.

4. The learned Authorised Representative reiterating the findings of the impugned order and submits that the capital goods used at their quarry unit Balakundi was against the conditions of the Notification No.13/81-Cus, dated 09.02.1981 in as much as the appellant was eligible for exemption only if the imported/indigenous capital goods/materials were utilized in their Injampakkam unit in Tamil Nadu.

5. Heard both sides. The undisputed facts are that the appellant vide Letter of Permission No. PER: 33(83) / EG No. 33(83) Misc. dated 21.05.1983 was granted permission for conversion of the existing manufacturing unit at Injambakkam Village to a unit under the 100% Export Oriented Unit for manufacture of granite articles. Thereafter, the Appellant obtained quarrying lease from the State of Karnataka for undertaking quarrying of rough granite blocks at R.S. No.

293/1B/1, Balakundi Village, Hungund Taluka, Karnataka. The Ministry of Industry and Commerce vide Letter No. E.O. 33 (83)/Misc/LA III dated 24.07.1985 included the manufacturing unit at Balakundi Village as an additional location in respect of the above LOP. Subsequently, the Central Board of Excise and Customs vide Notification No.234/1985 dated 03.08.1985 declared Balakundi Village to be a warehousing station for the purposes of setting up 100% EOU, the Appellant vide letter dated 09.12.1985 intimated the Central Excise Authorities, Bagalkot that they were undertaking quarrying operations at Balakundi Village by utilising exempted capital goods for the said purpose after intimating that the quarrying site at R.S. No. 293, Balakundi Village had been declared as a 'mine' under the Mines Act, 1952. The Appellant was also granted private bonded warehouse license dated 03.04.1986 under Section 58 of the Customs Act, 1962 for the godown situated R.S. No. 293/1B/1, Balakundi Village and was granted in-bond manufacturing license dated 03.04.1986 for the premises at R.S. No. 293/1B/1, Balakundi Village. At the EOU premise located at R.S. No. 293/1B/1, Balakundi Village, the Appellant undertook quarrying operations for quarrying of raw materials viz. rough granite block for further processing and manufacture of granite articles. The capital goods and consumables were procured at the Appellant's main unit in Tamil Nadu and transferred to R.S. No. 293/1B/1, Balakundi Village on filing of Shipping Bills and on receipt of permission from the Assistant Commissioner of Customs, Madras. The officers also acknowledged receipt of the transferred goods at R.S. No. 293/1B/1, Balakundi Village, regular Form ER-2 were submitted to the jurisdictional Departmental Authorities vis-à-vis the duty-free imports and procurement of goods, export performance, details of inter-unit transfers from Tamil Nadu as well as DTA clearances. At the quarrying site at Balakundi Village, the Appellant utilised the

duty-free capital goods and consumables to excavate granite blocks, which were used for manufacture of granite articles and shifted the procured capital goods such as cranes and drills from the main unit at Tamil Nadu to the quarrying site at R.S. No. 293/1B/1, Balakundi Village under bond for manufacturing purposes in terms of Form CT-3 issued by the respective authorities and also vide letter dated 11.01.1993 were permitted to receive the same in the quarry site at Balakundi Village in relation to the manufacturing activities under bond. At Balakundi Village, the quarried granite blocks were trimmed and dimensional blocks cut into slabs using gang saw and grit then polished using abrasives and the polished granite slabs were transferred under bond to the main unit of the Appellant in Tamil Nadu by following the inter-unit transfer procedures for manufacture of monuments, sawn slabs, etc. The Appellant also manufactured granite articles at the main unit in Tamil Nadu, which were exported.

5.1. The Commissioner in the impugned order denied the benefit of the Notification No. 13/81-Cus. read with Notification No.123/81-CE. only on the ground that in terms of Condition No. 2 and 7 attached to the Notification No.13/81-Cus., the manufacturing operation was required to be carried out under Customs bond and the imported/indigenously procured goods were to be used for the purpose of manufacture of articles only, whereas they were utilized only for excavation of granite blocks at the quarry. It is stated that the Appellant did not set-up processing unit or manufacturing unit till June 1997 and the imported or procured machinery were utilized in the quarry for extraction of granite blocks and not in manufacturing/processing of items approved in the LOP. That the Appellant was not permitted under EOU scheme for excavation of granite blocks from the quarry and was specifically made known by the

Government of India, Ministry of Finance, Department of Revenue vide the Office Memorandum F.N. 305/193/92-FTT dated 27.09.1994 that they were not eligible to import quarrying equipment without payment of duty. That the procurements of duty-free goods by the Appellant were in clear violations of the LOP and the conditions stipulated in the Notification 13/81-Cus. and Notification 123/81-CE and the same was allowed only with the introduction of the Notification No.58/2000-Cus. and Notification No. 37/2000-CE, EOUs when it permitted import of any goods for use in quarrying of granites. In view of the above, since the appellant had infringed the conditions attached to the Notification, invoking the provisions of the bond, the Commissioner held that the duty involved could be demanded at any point of time and therefore, the contentions of the Appellant that the demand is time barred was rejected.

5.2. In view of the undisputed facts discussed at para 5, we find that during the period of dispute from November 1986, to deny the benefit on the ground that the unit at Balagundi was not an 100% EOU defeats the very purpose. We also find that vide letter dated 01.04.1986 permission was accorded for manufacture in bond under Section 65 of the Customs Act, 1962 to the appellant in Karnataka. On 03.04.1986, permission was also granted for manufacture in bond of granite articles at Balakundi. The appellant has placed on record all the documents to prove the fact that the goods imported were transferred to the unit in Karnataka under approved documents and there is no dispute that the imported capital goods or the indigenous materials were used for quarrying purposes in Karnataka. The appellant has also placed on record intimation to the concerned officers about the receipt of imported and indigenous goods and also dispatch of rough granite blocks and finished goods.

Therefore, the fact that only on 06.06.1997 the bonded warehouse at Balakundi Village was approved for the purpose of carrying out EOU operations cannot in anyway deny them the benefit of the Notifications, since in 1985 it was already included as a manufacturing center as per the LOP issued in 1983 to the appellant. As per the condition No.2 and 7 of the Notification No. 13/1981-Cus. dated 09.02.1981, the appellant was to use the imported products for the purpose of manufacture of articles that are required to be exported. The only reason to deny the benefit is that the imported goods were used for excavation of granite blocks in their quarry. The basic raw material for manufacture of granite articles that were to be exported was admittedly granite block recovered by excavating from the quarry; therefore, it cannot be said that the products were not utilized in the manufacture of articles that were exported. There is no dispute that all the activities undertaken by the appellant was based on approvals by the concerned authorities and also there is no allegation that there was any diversion of the quarry materials. The goods that were imported and the rough granites which were obtained from quarry were all duly accounted for in terms of the Notifications. Therefore, we do not find any deviation or non-compliance of the conditions of the Notifications based on the documents placed on record before us.

6. The Hon'ble Supreme Court in the case of **Oblum Electrcial Industries Pvt. Ltd.** (supra) observed as follows:

> **"**11. A perusal of Notification No. 116/88-Cus. shows that the object and purpose of the said notification is to encourage exports by granting exemption from customs duty on materials that are required to be imported for the purpose of manufacture of the resultant products or for replenishment of the material used in the manufacture of the resultant products, or both or for export as

mandatory spares along with the resultant products. The manufacture of the resultant products has to be for execution of one or more export orders. In order to ensure that the exemption is availed only by deserving people, conditions have been laid down in clauses (a) to (g), which must be fulfilled for availing the exemption. One such condition, as laid down in clause (a), is that the material imported must be covered by a Duty Exemption Entitlement Certificate issued by the licensing authority. Under Clause (c) it is required that the goods corresponding to the resultant products and the mandatory spares should be exported within the time specified in the DEEC or such extended period as may be granted by the licensing authority. The wordings in the notification have to be construed keeping in view the said object and purpose of the exemption. In the notification two different expressions have been used namely, `materials required to be imported for the purpose of manufacture of products' and `replenishment of materials used in the manu- facture of resultant products' which indicates that the two expressions have not been used in the same sense. The expression `materials required to be imported for the purpose of manufacture of products' cannot be construed as referring only to materials which are used in the manufacture of the products. The said exemption must be given its natural meaning to include materials that are required in order to manufacture the resultant products. On that view, the exemption cannot be confined to materials which are actually used in the manufacture of the resultant product but would also include materials which though not used in the manufacture of the resultant product are required in order to manufacture the resultant product. Crystar beams imported by the appellant are materials, which though not used in the manufacture of H.T. Porcelain Insulators required for Lightening Arrestors, are materials which are required for producing the insulators in the kilns."

6.1. Similarly, in the case of **Kudremukh Iron Ore Ltd.** (supra), the Larger Bench observed as follows:

> "9. The various machinery for which spares have been imported were used in the manufacture of the finished product as far as the appellant is concerned. Machinery, which played some role in the process of manufacture of finished goods without which manufacture of finished goods could not have become possible, should necessarily be treated as machinery used in the manufacture of such goods. Learned Departmental Representative was not justified in advancing an argument that machinery which are entitled to exemption under Customs Notification No. 13/81 must be those that are meant for the actual process of manufacturing the final product only.
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> 10. Wabco Trucks, P & H Shovel, Motor Grader, CAT Front End Loader, Terex Front Loader, Komatsu Dozer, 35T Cap Haulpack Truck, Poclain Excavator and Water Sprinkler used by the appellant in processing the mined ore are vital machinery which play an integral part in the process of manufacture of finished goods. Even though they are not directly involved in the manufacture of the finished goods, they are machinery used in the manufacture of such goods. Spares imported for such machinery are entitled to the benefit of Customs Notification No. 13/81. The contrary views taken by the authorities below are illegal. They are set aside."

7. In view of our discussions above and the records placed before us, we find that the capital goods have been used in the quarry to get the granite blocks which were further used to manufacture the resultant products; hence, the question of denying the benefit does not arise. Moreover, since at every stage of removal, transport and dispatches from one place to another; they have been obtained necessary approvals from the respective authorities; therefore, the question of invoking the extended period also does not arise. Accordingly, the impugned order is set aside.

Appeal is allowed with consequential relief, if any, as per law.

(Order pronounced in Open Court on 23.06.2026.)

(P.A. AUGUSTIAN)
MEMBER (JUDICIAL)

(R. BHAGYA DEVI)
MEMBER (TECHNICAL)

rv