CUSTOMS, EXCISE & SERVICE TAX APPELLATE TRIBUNAL
NEW DELHI.

PRINCIPAL BENCH,
COURT NO. I

EXCISE APPEAL NO. 52057 OF 2022

[Arising out of the Order-in-Appeal No. DDN/EXCUS/000/APPL/14/2022-23 dated 17/05/2022 passed by The Commissioner (Appeals), CGST, Dehradun – 248 001.]

M/s Mahindra CIE Automotive Ltd., **......Appellant**
Plot No. 2, Sector 2, Tata Vendor Park,
IIE SIDCUL, Pantnagar, Rudrapur,
District U.S. Nagar,
Uttarakhand – 263 153.

Versus

The Commissioner, **....Respondent**
CGST & Central Excise,
Dehredun Commissionerate,
E-Block, Nehru Colony, Haridwar Road,
Dehradun – 248 001.

APPEARANCE:

Ms. Charanya Lakshmi Kumaran, Shri Dhruv Tiwari and Ms. Mehak Mehta, Advocates – for the appellant.
Shri Rajat Malhotra, Authorized Representative for the Department.

CORAM:
HON'BLE DR. MRS. RACHNA GUPTA, OFFICIATING PRESIDENT
HON'BLE SHRI P.V. SUBBA RAO, MEMBER (TECHNICAL)

FINAL ORDER NO. 51436/2026

DATE OF HEARING : 04.08.2026
DATE OF DECISION: 09.09.2026

P.V. SUBBA RAO

M/s Mahindra CIE Automotive Ltd.[1] filed this appeal to assail the order-in-appeal dated 13.05.2022 passed by the Commissioner of CGST (Appeals), Dehradun in which he

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1. the appellant

remanded the matter to the original authority for denovo adjudication for the limited purpose of verifying the appellant's contention that they had removed goods, as such, after reversal of proportionate credit after affording opportunity of being heard to the appellant. On merits, the Commissioner (Appeals) upheld the findings of the original authority in his order dated 13.10.2021.

2. The facts of the case, in brief, are that the appellant manufactures automobile parts and accessories and sells them to original equipment manufacturers (OEMs) who are manufacturers of automobiles. In order to manufacture the parts, the appellant requires tools and dies. In some cases, these were supplied to the appellant free of cost by the customers and in other cases, the appellant had manufactured the tools and dies and billed the customers. Where the tools and dies or moulds were supplied by the customers, the appellant had included the amortized value of such tools and dies as additional consideration for sale in the assessable value of the final products which were manufactured and sold. In those cases, where the appellant itself had manufactured and sold the tools and dies to the customers, it had not included the value (either in full or amortized value) of such tools and dies in the assessable value of the final product. The appellant's records were audited for the period November 2015 to March 2017, this discrepancy was noticed and a show cause

notice dated 02.12.2020[2] was issued to the appellant demanding central excise duty on the entire cost of tool/moulds/dies recovered by the appellants from its buyers in terms Rule 6 of the Central Excise Valuation (Determination of Price of Excisable Goods) Rules, 2000[3].

3. The value increase and the demand proposed in the show cause notice was confirmed by the original authority and upheld by the Commissioner (Appeals) in the impugned order except to the limited extent of some verification. Aggrieved, this appeal has been filed by the appellant.

4. We have heard learned counsel for the appellant and learned authorized representative for Revenue and perused the records.

5. There is no dispute that the final products cannot manufactured without the tools, moulds or dies and, therefore, they should form part of the assessable value. Since they are used for a period of time only, the amortized value of these should be included in the assessable value of the final products. In cases where tools and dies were supplied by the customers free of cost, the appellant had included the amortized value of such tools and dies in the value of the final products. There is no dispute to that extent.

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2. SCN
3. Valuation Rules

6. However, where the appellant had itself manufactured or procured the tools and dies and recovered the cost from the customers through separate invoices issued to them, the appellant had not included either their total value or the amortized value in the assessable value of the final products.

7. The first submission of the learned counsel for the appellant is that the central excise duty must have been calculated by including only the amortized value of tools and dies in the assessable value of the final products as per Rule 6 of the Valuation Rules. The SCN and both the lower authorities have erred in demanding duty on the total sale value of such tools and dies. The second submission of the learned counsel is that since the tools and dies were used captively within the factory, they were exempt from payment of duty in terms of Notification No. 67/95-CE. The third submission by the learned counsel is that extended period of limitation could not have been invoked in this case and the demand of duty is time barred and penalty is also not imposable nor is interest recoverable for this reason.

8. Learned authorized representative for Revenue vehemently supported the impugned order and asserted that the Commissioner (Appeals) committed no error in upholding the demand on the value of tools and dies by including them under Rule 6 of the Valuation Rules.

9. We have considered the submissions advanced by both sides.

10. There cannot be any dispute that the final products cannot be manufactured without the tools and dies and, therefore, their value should included. However, they are not used only once but over and over again. Therefore, the cost of the tool or die has to be spread over all the goods manufactured using it. This is done through an accounting method known as amortization in which the total value of the tool or die is divided over the number of final goods which are likely to be products using it and proportionate value of the tools and dies is added to each good. The appellant had done so where the tools and dies were supplied by the customers. However, the appellant did not do so when it produced the tools and dies and sold them to the customers through separate invoices. We have no reason to believe the appellant was not aware that the amortized value of tools and dies was to be added to the final products when it had done so in those cases where the tools and dies were supplied by the customers.

11. The first submission of the appellant is that only the amortized value should be included and not the total value of the tools and dies. We agree. The amortized value has to be calculated which should be possible as such a calculation was already done in cases where the tools and dies were supplied

by the customers. For this purpose, the matter needs to be remanded to the original authority.

12. The second submission of the appellant is that the tools and dies were captively used in the factory premises, therefore, were exempted from payment of duty as per Notification No. 67/95-CE. The submission is misplaced. The exemption for goods captively used within the factory applies to those cases where they are not sold but are used within the factory or manufacture because their value gets automatically credited to the value of the final products. In this case, the appellant sold the tools and dies to the customers under separate invoices and then used them within the factory of manufacture. Effectively, they are not different from those which the customers themselves had procured and supplied. Therefore the exemption for captive consumption under Notification No. 67/95-CE would not apply to the appellant.

13. The third submission of the appellant is that the entire demand is time barred and extended period of limitation is not invokable because the appellant was under the bonafide belief that the value of the tools and dies need not be included in the value of the final products. We do not agree. The appellant itself was including the amortized value of tools and dies in the final products in other cases and, therefore, it was fully aware that it needs to be included. We do not find any bonafide belief

in not including such value the tools and dies used within the factory of manufacture.

14. In view of the above, we find that the matter needs to be remanded to the original authority to re-compute the demand of duty under Rule 6 of the Valuation Rules by reckoning the amortized value of the tools and dies in the value of the final products cleared by the appellant during the period. The amount of interest and penalty also need to be recomputed accordingly.

15. The appeal is allowed by way of remand to the original authority.

(Order pronounced in open court on 09/09/2026.)

(DR. RACHNA GUPTA)
OFFICIATING PRESIDENT

(P.V. SUBBA RAO)
MEMBER (TECHNICAL)

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