CUSTOMS, EXCISE AND SERVICE TAX APPELLATE TRIBUNAL

CHENNAI

REGIONAL BENCH – COURT No. I

Excise Appeal No. 40176 of 2018

(Arising out of Order-in-Appeal No. 237/2017 (CTA-I) dated 16.10.2017 passed by the Commissioner of GST & Central Excise (Appeals I), 26/1, Mahatma Gandhi Road, Nungambakkam, Chennai 600 034)

M/s. Acer India (Private) Limited **...Appellant**
R.S. No. 38/2, Sedarapet Village,
Villianur Commune, Puducherry 650 111.

Versus

Commissioner of GST & Central Excise, **...Respondent**
Puducherry Commissionerate,
No. 1, Goubert Avenue, Beach Road,
Puducherry 650 001.

APPEARANCE:

For the Appellant : Mr. Raghavan Ramabhadran, Advocate
For the Respondent : Ms. O.M. Reena, Authorised Representative

CORAM:
HON'BLE MR. VASA SESHAGIRI RAO, MEMBER (TECHNICAL)
HON'BLE MR. AJAYAN T.V., MEMBER (JUDICIAL)

FINAL ORDER No.41173/ 2026

DATE OF HEARING: 01.06.2026
DATE OF DECISION: 05.11.2026

Per Mr. AJAYAN T.V.

M/s. Acer India (Private) Limited, the appellant, has filed the present appeal against Order in Appeal No. 237/2017 (CTA-I) dated 16.10.2017 passed by the Commissioner of GST and Central Excise (Appeals I), Chennai, whereby the appeal preferred by it against

Order in Original No. 166/2016 dated 20.12.2016 of the Joint Commissioner of Central Excise, Puducherry, was rejected and the order in original was upheld in its entirety.

Relevant facts

2. The appellant manufactures desktop and laptop computers falling under sub heading 8471 70 90 of the Central Excise Tariff at its factory in Puducherry. It is registered under the Customs (Import of Goods at Concessional Rate of Duty for Manufacture of Excisable Goods) Rules, 1996 (the 1996 Rules). During April 2011 to August 2015 it imported microprocessors, hard disc drives, DVD writers and like components without payment of the special additional duty of customs leviable under Section 3(5) of the Customs Tariff Act, 1975 (SAD). For 2011-12 it claimed exemption under Sl. No. 83 of Notification No. 20/2006-Cus dated 01.03.2006, as amended by Notification No. 32/2011-Cus dated 24.03.2011. For 2012-13 and 2013-14 it claimed exemption under Sl. No. 85 of Notification No. 21/2012-Cus dated 17.03.2012, and from 2014-15 under Sl. Nos. 85 and 14A of that notification, the latter entry having been inserted by Notification No. 21/2014-Cus dated 11.07.2014. Each entry was subject to Condition No. 5 of the Annexure to Notification No. 21/2002-Cus or Notification No. 12/2012-Cus, as the case may be, which reads "If the importer follows the procedure set out in the Customs (Import of Goods at Concessional Rate of Duty for Manufacture of Excisable Goods) Rules, 1996". According to the appellant, basic customs duty on these components was nil under Notification No. 24/2005-Cus, and countervailing duty was paid at the time of import.

3. The appellant filed quarterly returns under Rule 7 of the 1996 Rules. On the strength of those returns, the jurisdictional Assistant Commissioner issued end use certificates for 2011-12 and 2012-13 certifying that the imported components had been received and consumed in the factory in the manufacture of computer systems, and the bonds executed for

those years were cancelled. Quarterly returns in the same form were filed for the later years.

4. The Additional Director General (Audit), Bangalore Zonal Unit, communicated an audit enquiry vide its letter dated 07.04.2015, which inter alia, stated that it is observed from the appellant's ER-1 returns that it was clearing components as such from its factory and called upon it to state whether such clearances included goods imported under the 1996 Rules. In reply, the appellant stated in its letter dated 13.07.2015 that a certain quantity of the components had been "cleared as such from factory to our support location for warranty purpose", that such transfers were declared in its monthly ER-1 returns, and that the SAD foregone on them was in any event available as cenvat credit, making the exercise revenue neutral. The Department replied on 14.07.2015 that revenue neutrality was no ground for not paying duty. The appellant, in its letter dated 21.09.2015, maintained that the goods had been imported with the intention of using them in manufacture, and in the Department’s letter dated 23.09.2015, it was pointed out that Rule 8 of the 1996 Rules clearly lays down that in case the goods imported are not used for the intended purpose, amount equal to duty is recoverable along with the interest and that therefore interest is also liable to be paid. By the Appellant’s own figures, the components so transferred formed 0.55 per cent of the value of imports under the 1996 Rules in 2011-12, 1.49 per cent in 2012-13, 0.88 per cent in 2013-14 and 1.60 per cent in 2014-15. The appellant paid SAD of Rs.1,15,69,622/- on these components through TR-6 challans in August 2015, September 2015 and January 2016, and took cenvat credit of the same amount on 31.08.2015, 30.09.2015 and 31.01.2016. The appeal memorandum adds that on clearing these components for warranty the appellant had reversed the cenvat credit of countervailing duty taken on them, amounting in all to Rs.4,16,15,825/- for 2011-12 to 2014-15, and that on 01.09.2015 it took back Rs.59,16,296/- of that amount as credit.

5. Show Cause Notice No. 11/2016 (C.No. IV/16/09/2016-Tech) dated 06.04.2016 was then issued by the Commissioner of Central Excise, Audit II, Chennai. It alleged that the appellant had diverted a portion of the imported components to its service centres and branches across India in breach of the conditions of the exemption, that its quarterly returns falsely declared all the components to have been consumed in the factory, that end use certificates and cancellation of bonds had been obtained on the basis of those returns, and that the diversion came to light only on audit of its books. On that premise the notice proposed (i) recovery of SAD of Rs.1,15,69,622/- under Section 28(4) of the Customs Act, 1962 read with Rule 8 of the 1996 Rules and appropriation of the amount paid, (ii) interest of Rs.36,57,166/- under Section 28AA read with Rule 8, (iii) penalty under Section 114A, (iv) recovery under Rule 14 of the Cenvat Credit Rules, 2004 (CCR) read with Section 11A(4) of the Central Excise Act, 1944 of the credit of Rs.1,15,69,622/- as having been taken in breach of Rule 9(1)(b) of the CCR, and also as an amount payable under Rule 3(5) of the CCR on inputs removed as such, (v) interest thereon, and (vi) penalty under Rule 15(2) of the CCR read with Section 11AC. By a corrigendum dated 19.10.2016 the notice was made answerable to the Joint Commissioner of Central Excise, Puducherry.

Reply and order of adjudication

6. In its reply dated 15.11.2016 and further submission dated 08.12.2016, the appellant contended that the proceedings stood concluded under Section 28(2) of the Customs Act since the duty had been paid before the notice; that the demand was revenue neutral as SAD paid was available as credit; that the credit taken on TR-6 challans was valid; that the extended period could not be invoked since its records had been examined in successive audits including on site post clearance audits under the Accredited Client Programme; that end use certificates issued after verification could not be disregarded without their being set aside under Section 35E of the Central Excise Act; and that no penalty was imposable. The appellant further maintained that

interest ought to have been computed from the date of removal of the goods to the service centres rather than from the date of import, and stated that it had paid interest of Rs.5,61,264/- in April 2016 for the period which it regarded as falling within the normal period of limitation.

7. The Adjudicating Authority, i.e., the Joint Commissioner, confirmed the demand of SAD of Rs.1,15,69,622/- under Section 28(4) read with Rule 8 and appropriated the amount paid, confirmed interest of Rs.36,57,166/-, imposed penalty of Rs.1,15,69,622/- under Section 114A, confirmed recovery of cenvat credit of Rs.1,15,69,622/- with interest, and imposed a further penalty of Rs.1,15,69,622/- under Rule 15 of the CCR read with Section 11AC. He held that the appellant had wilfully misdeclared in its quarterly returns that all the components had been used in manufacture and that the challans were therefore not valid documents for credit by reason of Rule 9(1)(b). The Commissioner (Appeals) upheld that order. He held that the goods had not been received in the factory or used in manufacture, that the inclusion of warranty goods within the definition of input in the CCR did not answer the condition of the exemption, that interest being only partly paid the notice could not be faulted, that the misdeclaration in the quarterly returns justified the extended period and the penalty under Section 114A, and that the credit was barred by Rule 9(1)(b), rendering the penalty under Rule 15(2) "mandatory".

Submissions on behalf of the appellant

8. Shri Raghavan Ramabadran, learned counsel for the appellant, argued that the components were imported with the intention of using them in the manufacture of computers and that their supply for free warranty replacement was, in substance, use in the manufacture of computers, since the price of every computer included the warranty and Rule 2(k)(ii) of the CCR treats goods used for providing free warranty for final products as inputs. *Lucas TVS Ltd. v. Commissioner, 2020 (37) GSTL 180 (Tri. Chennai)*, was cited for the nexus between warranty and

manufacture. He urged that the expression "for use in the manufacture" means intended for use, relying on *BPL Display Devices Ltd. v. CCE, 2004 (174) ELT 5 (SC)*, *State of Haryana v. Dalmia Dadri Cement Ltd., 2004 (178) ELT 13 (SC)*, and *Rashtriya Chemicals and Fertilizers Ltd. v. CCE and ST (LTU), 2026 (3) TMI 163- Supreme Court*. He argued that the end use certificates, which had never been withdrawn or challenged, barred the Department from directly invoking the recovery provision, citing *Madurai Power Corporation Ltd. v. Deputy Commissioner, 2008 (229) ELT 521 (Mad.)*.

9. Ld. Counsel further argued that since no sales tax or value added tax is payable on parts supplied free under warranty, there being no sale within Section 2(ze) of the Puducherry Value Added Tax Act, 2007 or any valuable consideration as explained in *Devi Dass Gopal Krishnan v. State of Punjab, 1967 SCR (3) 557, SAD*, which countervails such tax, could not be levied. *Gazal Overseas v. Commissioner, 2016 (332) ELT 767 (Tri. Del.)*, and *Kubota Agricultural Machinery India Pvt. Ltd. and Acer India Pvt. Ltd. v. Commissioner, 2017 (6) TMI 565 - CESTAT Chennai*, were cited, and it was pointed out that this plea was not dealt with by the Commissioner (Appeals).

10. On limitation, he maintained that the entire demand is revenue neutral because SAD, if paid, would have been available as credit, so that no intent to evade can be attributed, relying on *Nirlon Ltd. v. CCE, 2015 (320) ELT 22 (SC), CCE v. Tenneco RC India Pvt. Ltd., 2015 (323) ELT 299 (Mad.), Intellect Design Arena Ltd. v. Commissioner, 2025 (12) TMI 1004 - CESTAT Chennai, Kobelco Construction Equipment India Pvt. Ltd. v. Commissioner, 2025 (11) TMI 1736 - CESTAT Chennai, Brakes India Pvt. Ltd. v. Commissioner, 2025 (6) TMI 758 - CESTAT Chennai,* and *International Merchandising Company v. CST, 2022 (67) GSTL 129 (SC)*. Ld. Counsel further argued that the appellant having been audited repeatedly, suppression could not be alleged, as held in *CCE v. Pragathi Concrete Products, 2015 (322) ELT 819 (SC)*. In the memorandum of appeal it was contended that Rs.1,02,58,404/- being

the SAD demand for the period prior to April 2015 was time barred, thereby effectively computing only the balance of Rs.13,11,218/-, relating to April to August 2015, as the demand falling within one year of the notice. In the written synopsis filed at the hearing, counsel further urged that Rule 8 of the 1996 Rules does not borrow Section 28 of the Customs Act, so that duty may be recovered under Rule 8 but the extended period under Section 28(4) cannot be pressed into service, and that Section 114A is likewise not borrowed, rendering the penalty imposed untenable.

11. As regards the credit, counsel submitted that once suppression is negatived the exception in Rule 9(1)(b) cannot apply, and that in any event Rule 9(1)(b) is attracted only where a supplementary invoice follows a sale, which is not the case where credit is taken on a challan evidencing the importer's own payment, citing *Karnataka Soaps and Detergents Ltd. v. Commissioner, 2010 (258) ELT 62 (Kar.)*, and *Essar Oil Ltd. v. Commissioner, 2014 (303) ELT 255 (Tri. Ahmd.)*. Interest, it was argued, cannot survive the principal, and interest for the normal period had already been paid. Penalties were assailed for want of mala fides, the appellant having followed the procedure under the 1996 Rules throughout. The finding of the Commissioner (Appeals) that the goods were never received in the factory was assailed as contrary to the invoice cum delivery challans and as travelling beyond the notice.

12. Two further grounds appear in the memorandum of appeal but were neither carried into the written synopsis nor pressed at the hearing. The first is that, if the supply of warranty parts is a sale at all, it forms part of the original sale of the computer on which tax has already been paid, reliance being placed on *Commissioner of Sales Tax v. Prem Nath Motors (P.) Ltd., 43 STC 52 (Del.)*. The second is that the reversal of countervailing duty credit on the warranty clearances was inadvertent, since Rule 3(5) required none, that the balance of Rs.3,56,99,529 not taken back is refundable, and that this amount, exceeding the SAD

demanded, leaves no demand surviving (para D 5 of grounds of appeal).

Submissions on behalf of the respondent

13. Ms. O.M. Reena, learned Authorised Representative for the Revenue, reiterated the findings of the Commissioner (Appeals). She submitted that the exemption was conditional upon use of the imported components in the manufacture of computers in the factory, that the appellant had admittedly sent a part of them to its service centres, that its quarterly returns misdeclared the position and secured end use certificates and cancellation of bonds, and that the demands, the denial of credit under Rule 9(1)(b) and the penalties were therefore rightly confirmed.

Analysis

14. We have heard both sides and perused the appeal records, the case laws and the notifications placed before us.

15. The following questions arise for our decision:

i. Whether the appellant lost the benefit of the SAD exemption on the components transferred to its service centres for free warranty replacement, so that the duty foregone on them became recoverable under Rule 8 of the 1996 Rules?

ii. Whether the demand is barred by limitation, which raises the anterior question whether Section 28 of the Customs Act governs a recovery under Rule 8, and whether the non levy was occasioned by wilful misstatement or suppression of facts with intent to evade duty?

iii. Whether the cenvat credit of Rs.1,15,69,622/- taken on the SAD so paid is admissible?

iv. Whether interest is payable?

v. Whether the penalties under Section 114A of the Customs Act and under Rule 15 of the CCR read with Section 11AC of the Central Excise Act are sustainable?

16. The admissibility of credit turns on whether the SAD became recoverable by reason of wilful misstatement or suppression with intent to evade duty, which is also the question on which the plea of limitation rests. For that reason we take up limitation immediately after the merits of the SAD demand and before the question of credit.

Whether the SAD exemption is to be denied on the components sent for warranty replacement

17. Section 25(1) of the Customs Act empowers the Central Government to exempt goods "either absolutely or subject to such conditions (to be fulfilled before or after clearance) as may be specified in the notification". An exemption may thus be made subject to a condition that can be fulfilled only after the goods have been cleared. The entries under which the appellant claimed exemption did not, by themselves, require the importer to establish anything at the time of import beyond the fact that the goods answered the description in the entry. Sl. No. 83 of Notification No. 20/2006-Cus and Sl. No. 85 of Notification No. 21/2012-Cus describe the goods simply by name, as microprocessors, floppy disc drives, hard disc drives, CD-ROM drives, DVD drives or writers, flash memory and combo drives, without any reference to the use to which they are to be put. Sl. No. 14A describes "Inputs or components for use in the manufacture of personal computers (laptop or desktop) including tablet computers falling under heading 8471". It names the purpose, but it prescribes no means by which that purpose is to be secured or verified once the goods have left the customs station. Under each entry, therefore, the obligation that the goods be actually put to that use, and the machinery for monitoring and enforcing that obligation after clearance, come from Condition No. 5, which incorporates the procedure of the 1996 Rules. Those Rules, as per Rule 2(1), apply where "the benefit of such exemption is dependent upon the use of imported goods covered by the notification for the manufacture of any excisable commodity". Rule 3 mandates the manufacturer to obtain registration specifying the excisable goods made in his factory and the imported goods used in their manufacture,

and Rule 4 requires him to undertake that "the imported goods shall be used for the intended purpose" and to execute a bond "in respect of end use of the imported goods in the manufacturer's factory". The manufacturer intimates receipt of the goods in his factory and accounts for "the quantity of imported goods consumed for the intended purpose" (Rule 7). Rule 8 then directs the jurisdictional Assistant or Deputy Commissioner of Central Excise to "ensure that the goods imported are used by the manufacturer for the intended purpose" and, "in case they are not so used", to "take action to recover the amount equal to the difference between the duty leviable on such goods but for the exemption and that already paid, if any, at the time of importation, along with interest". The intended purpose under this scheme is the manufacture, in the registered factory, of the excisable goods for which the registration was granted, which in the appellant’s case is manufacture of computers.

18. It is not in dispute that the components in question were not consumed in the manufacture of computers. The appellant's own letter dated 13.07.2015 records that they were cleared as such from the factory to its support locations for use as replacement parts under warranty. We are unable to accept that such use is, in law, use in the manufacture of computers. The definition of input in Rule 2(k) of the CCR, as substituted with effect from 01.04.2011, comprises in clause (i) "all goods used in the factory by the manufacturer of the final product" and, separately, in clause (ii) "any goods including accessories, cleared along with the final product, the value of which is included in the value of the final product and goods used for providing free warranty for final products". The very fact that the rule maker had to bring goods used for free warranty within the definition through a distinct limb, rather than leaving them to the limb of goods used in the factory by the manufacturer, shows that such use is something other than use in manufacture. That extension was made for the limited purpose of cenvat credit. It cannot be transposed into a customs exemption granted under a different statute, subject to its own conditions. The

Constitution Bench in *Commissioner of Customs (Import), Mumbai v. Dilip Kumar and Company, 2018 (361) ELT 577 (SC)*, held in paragraph 52 that an exemption notification "should be interpreted strictly; the burden of proving applicability would be on the assessee", and that any ambiguity "must be interpreted in favour of the revenue". Read strictly, the condition is not fulfilled by supplying the goods as spares after the sale of the final product. *Lucas TVS Ltd. v. Commissioner, 2020 (37) GSTL 180 (Tri. Chennai)* does not assist the appellant. It concerned input service credit on warranty repairs reimbursed to dealers and was decided on the scope of the definition of input service in the CCR, not on the condition of any end use exemption.

19. The plea founded on intended use is also on an equally shaky footing. In *BPL Display Devices Ltd. v. CCE, 2004 (174) ELT 5 (SC)* the imported parts were damaged in transit and could not be used. The Supreme Court, explaining *Dalmia Dadri Cement Ltd*., observed that "*the object of grant of exemption was only to debar those importer/manufacturers from the benefit of the Notifications who had diverted the products imported for other purposes and had no intention to use the same for manufacture of the specified items at any stage*". In *State of Haryana v. Dalmia Dadri Cement Ltd., 2004 (178) ELT 13 (SC),* the question was whether a seller of cement could be denied a sales tax exemption because the purchasing Electricity Board had used some of it for other purposes, when the statute exempted sales of goods "*for use by it*" and the seller had acted on the Board's certificate. In *Rashtriya Chemicals and Fertilizers Ltd., 2026(3) TMI 1632-Supreme Court : 2026 (396) ELT 273 (SC)*, naphtha procured for the manufacture of fertilizer and ammonia was used in part to generate electricity, which itself was largely consumed in fertilizer manufacture. Relying on *Steel Authority of India Ltd. v. CCE, 1996 (88) ELT 314 (SC)*, the Court reiterated that what had to be shown was that the goods were "used for the purpose and with the intention of manufacturing fertiliser". In each of these cases the goods were consumed or lost in the course of, or as an incident of, the very activity

for which the concession was granted, or the person claiming the concession had no control over their later use. The present case is of a different kind. The appellant consciously and as a matter of routine, year after year, drew components from its stock of exempted imports and sent them out of the factory to its service network for an altogether different purpose, namely after sales replacement. That is precisely the diversion which *BPL Display Devices Ltd*. said the exemption was meant to exclude. Moreover, the operative words in the scheme are not "for use" alone. Rule 8 speaks of goods which "*are used by the manufacturer for the intended purpose*" and of action where "*they are not so used*", the very language which, according to *Dalmia Dadri Cement Ltd*., denotes actual use. The Honourable Supreme Court applied the same discipline to an end use exemption governed by the very 1996 Rules in *Commissioner of Central Excise, Ahmedabad v. Gujarat Ambuja Exports Ltd., 2016 (338) ELT 481 (SC)*. There, crude palm oil exempted when imported for the manufacture of soaps, industrial fatty acids and fatty alcohol was in fact used mainly to make edible oil. The Court held in paragraph 17 that whether an exemption is available must be examined by asking whether the stipulations and conditions mentioned in the notification are fulfilled, and denied the exemption because the specified use was not achieved. The doctrine of intended use, which protects the bona fide importer against the accidents of transit and process, cannot be invoked to protect a deliberate allocation of exempted goods to a purpose outside the exemption.

20. Nor do the end use certificates stand in the way, for in our view, the reliance on *Madurai Power Corporation Ltd. v. Deputy Commissioner, 2008 (229) ELT 521 (Mad.)* is also misconceived. In *Madurai Power Corporation Ltd*. the Annexure I certificate had been issued under the Central Excise Act after full disclosure and the Department sought to question, by a notice under Section 11A, the very eligibility it had accepted. The High Court held that the certificate, being an order under that Act, had to be revised under Section 35E. The end use certificates

here are not orders under the Central Excise Act. They were issued under rules made under Section 156 of the Customs Act, and they certified only a fact, namely receipt and consumption in the factory, on the basis of the appellant's own accounts and returns, which, as now admitted, did not disclose the transfers. A certificate of fact founded on the assessee's own incomplete returns cannot become a shield against the recovery which Rule 8 itself commands when goods are found not to have been so used. The premise of the plea, that an earlier order or certificate must first be set aside by review before duty can be demanded, also does not accord with the later pronouncements of the Supreme Court. In *Asian Paints (India) Ltd. v. Collector, 2002 (142) ELT 522 (SC)*, the Court held that Sections 11A and 35E "operate in different fields and are invoked for different purposes". In *Grasim Industries Ltd. v. CCE, Bhopal, 2011 (271) ELT 164 (SC)*, decided after *Madurai Power Corporation Ltd*., the Court held in paragraph 13 that where duty has been erroneously refunded the remedy is a notice under Section 11A, and that "there is no question of filing any appeal, as appropriate remedy as provided under Section 11A is available". In *CCE v. Morarjee Gokuldas Spg. and Wvg. Co. Ltd., (2023) 4 Centax 418 (SC)*, the Court, following *Asian Paints*, held that once a speaking order of refund is set aside in review under Section 35E, no separate notice under Section 11A is required. Read together, these decisions treat the demand provision and the review provision as independent routes. Neither is a precondition to the other. They furnish no support for the proposition that the Department must first revise an end use certificate before recovering under Rule 8 the duty on goods admittedly not so used.

21. The contention that SAD is not leviable because no value added tax is payable on parts supplied free under warranty also fails. Section 3(5) of the Customs Tariff Act is a charging provision. It levies the additional duty on imported goods to counterbalance the sales tax, value added tax and local taxes leviable on like goods on their sale or purchase in India, as the Explanatory Notes to the Union Budget 2005-06 placed

before us also record. The levy is attracted on importation and is not contingent on whether the importer later sells the very goods or pays tax on that sale. The relief linked to payment of value added tax on subsequent sale is a distinct concession, namely Notification No. 102/2007-Cus dated 14.09.2007, which exempts goods "imported into India for subsequent sale" by way of refund on conditions which include payment of SAD at the time of import and payment of appropriate sales tax or value added tax on the sale. *Gazal Overseas v. Commissioner, 2016 (332) ELT 767 (Tri. Del.)*, and *Kubota Agricultural Machinery India Pvt. Ltd. and Acer India Pvt. Ltd. v. Commissioner, 2017 (6) TMI 565 - CESTAT Chennai*, were decided under that notification and turned on what "appropriate" tax meant in its condition. The appellant did not import these components for sale and never claimed that notification. It claimed a different exemption whose condition it did not fulfil. The memorandum of appeal itself pleads, in the alternative, that the warranty supply forms part of the original sale of the computer on which tax was paid. That plea does not gel with the primary plea that there is no sale at all. On either premise, however, the levy at importation is untouched. Whether a warranty replacement is a sale under Section 2(ze) of the Puducherry Value Added Tax Act, 2007, and whether *Devi Dass Gopal Krishnan* has any bearing on it, does not therefore arise, and we do not express any opinion on it. The plea was urged before the Commissioner (Appeals) in the additional submissions dated 07.09.2017, and he ought to have dealt with it. Since it raises a pure question of law which we have now answered, the omission causes no prejudice to the appellant.

22. The plea of revenue neutrality cannot defeat the demand on merits either. The availability of credit on duty, had it been paid, does not efface a liability that has arisen under the statute. Were it otherwise, every manufacturer could leave duty unpaid on the plea that it would in any event be creditable, a consequence the Allahabad High Court rightly declined to countenance in *Precision Moulds and Dies v. Commissioner, 2025 (394) ELT 363 (All.),* affirmed in *Precision Moulds*

and Dies v Commissioner of CGST, 2025 (394) ELT 347 (SC). Revenue neutrality has its proper place in the inquiry into intent, to which we shall presently come.

23. We therefore hold on the first question that the appellant did not fulfil the condition of the exemption in respect of the components transferred to its service centres, and that the SAD foregone on them, quantified at Rs.1,15,69,622/- and not disputed in quantum, became recoverable under Rule 8 of the 1996 Rules.

Limitation, and the allegation of suppression with intent to evade

24. The appellant's argument on limitation proceeds in two steps. It accepts that duty may be recovered under Rule 8, but says that Rule 8 does not borrow Section 28 and that the extended period under Section 28(4) therefore cannot be invoked. It then contends that, the extended period being unavailable, the demand is barred. The first step is correct in its premise, but the conclusion does not follow from it. The question whether a recovery under Rule 8 is governed by the periods in Section 28 has been answered by the Supreme Court in *Commissioner of Central Excise, Ahmedabad v. Gujarat Ambuja Exports Ltd., 2016 (338) ELT 481 (SC)*. That too was a demand of customs duty under Rule 8 of the 1996 Rules for breach of an end use condition. The Court held in paragraph 22 that Rule 8 "*does not prescribe any period of limitation*", that the notice must therefore be issued within a reasonable period as explained in *State of Punjab v. Bhatinda District Co-op. Milk P. Union Ltd., 2007 (217) ELT 325 (SC)*, that "*for this purpose, provisions of Section 28 cannot be resorted to*", and that reasonableness is to be judged on the facts, bearing in mind that "*at the time of import, the importer only gives declaration. It is the actual use, which event takes place much after the import, from where it can be gathered as to where the import is made for the purpose for which it was done*". The notice there was held to be in time because it was issued as soon as the facts came to light.

25. In the course of examining that question we have also come across several decisions of this Tribunal, not cited by either side, which treated Section 28 as the only provision under which customs duty foregone under an end use exemption could be recovered, and Rule 8 as no more than an enabling provision for setting that process in motion, namely, *N.B. Footwear v. Commissioner, 2007 (209) ELT 102 (Tri. Chennai)*, *Commissioner v. Pan Electronic India Ltd., 2008 (223) ELT 669 (Tri. Chennai)*, *APP Enterprises v. Commissioner, 2008 (231) ELT 110 (Tri. Chennai)*, and the decision in *Molex (I) Ltd. v. Commissioner, 2012 (275) ELT 607 (Tri. Bang.)*. None of these decisions turned on limitation. What they held was that a demand of duty foregone on breach of an end use condition could be raised only under Section 28, and that Rule 8 had no operation of its own as a provision for recovery. Each of them preceded *Gujarat Ambuja Exports Ltd*. In that case the Supreme Court sustained a demand raised under Rule 8 itself for breach of the end use condition, and held that the provisions of Section 28 cannot be resorted to even to supply the period within which such a demand must be made. The premise of the earlier decisions, that Rule 8 has no independent force and that Section 28 alone governs such a recovery, cannot therefore survive that later judgment, which binds us under Article 141 of the Constitution. The decision in *S. Balasubramanian, 2019 (370) ELT 1412 (Tri. Hyd.)*, which held that Rule 8 is not a mechanism for demand, was rendered after *Gujarat Ambuja Exports Ltd*. but does not notice it, and cannot be followed for the same reason. *Havells India Ltd., 2018 (364) ELT 488 (Tri. Del.)*, on the other hand, applied the reasonable period test laid down in that judgment. The Delhi High Court in *Pioneer Soap and Chemicals v. Union of India, 2013 (297) ELT 10 (Del.)*, likewise held that Rule 8 "*applies by its own force and on its own strength*". No question was raised before us, or before the authorities below, about the competence of the officers who issued and adjudicated the notice.

26. Neither *Gujarat Ambuja Exports Ltd*. nor the decisions noticed in the preceding paragraph was cited at the Bar, but that does not relieve this

Tribunal of the obligation to apply the law declared by the Supreme Court, which binds every court and tribunal in the country under Article 141 of the Constitution. The Supreme Court has recently emphasised, in *New India Assurance Company Limited v. Dolly Satish Gandhi and Anr., 2026 INSC 498* (paragraph 14), that while counsel owe a duty to bring to the notice of the Court judgments that do not aid their case as well as those that do, the entire burden cannot be placed on counsel, and that the Court itself has "an independent tri-fold duty, to apply correct law even if the counsel does not cite the same, ensure consistency with precedent, and avoid per incuriam decisions". The omission is the more noticeable on the side of the Revenue, in whose favour *Gujarat Ambuja Exports Ltd*. runs, both on the reach of the end use condition and on limitation. To have answered the question whether Section 28 governs a recovery under Rule 8 without regard to that binding judgment would have been to render precisely the kind of decision against which that caution is directed. The same duty of consistency required us to notice the earlier decisions of this Tribunal, which treated Section 28 as the exclusive route of recovery and denied Rule 8 any independent operation. They preceded *Gujarat Ambuja Exports Ltd.* and must yield to it. The issue to which these decisions have been applied, namely whether Section 28 could be invoked at all in a recovery under Rule 8, was the appellant's own principal ground on limitation. It was raised in the memorandum of appeal on the footing of Section 28, and recast by its learned counsel in the written synopsis filed at the hearing as the contention that Rule 8 does not borrow Section 28. Nor does the application of *Gujarat Ambuja Exports Ltd.* turn on any fact on which the parties were not heard. The dates on which the reasonableness of the notice depends, namely the audit query of 07.04.2015, the appellant's reply of 13.07.2015, the payments between August 2015 and January 2016 and the notice of 06.04.2016, are drawn from the appellant's own pleadings and are not in dispute. This Tribunal has therefore done no more than answer, according to the law that binds it, the very question the appellant put before it.

27. The reference in the notice and in the order in original to Section 28(4) does not vitiate the demand. Where the power to act exists, the citation of a wrong provision is immaterial. The Supreme Court in *Kiran Devi v. Bihar State Sunni Wakf Board, Civil Appeal No. 6149 of 2015, decided on 05.04.2021*, reiterated, quoting *Municipal Corporation of the City of Ahmedabad v. Ben Hiraben Manilal*, that "a wrong reference to the power under which action was taken by the Government would not per se vitiate that action if it could be justified under some other power under which Government could lawfully do that act". The jurisdictional High Court has applied the same principle in *S. Jamal v. Commissioner of Customs (Air), Chennai, 2014 (307) ELT 269 (Mad.)*. The notice put the appellant to complete notice of the facts and of Rule 8, under which the recovery was in truth made.

28. The appellant's own approach to limitation has not been consistent. The memorandum of appeal proceeded on the footing that Section 28 governed the demand. It treated only Rs.13,11,218/-, relating to April to August 2015, as falling within the normal period of one year preceding the notice, and contended that the balance of Rs.1,02,58,404/- was time barred because the extended period under Section 28(4) could not be invoked. The written synopsis took the opposite position, that Rule 8 does not borrow Section 28 at all, so that duty may be recovered under Rule 8 but the extended period under Section 28(4) cannot be pressed into service. Of the two, the position in the synopsis is the closer to the law declared in Gujarat Ambuja Exports Ltd., which holds that Section 28 cannot be resorted to for the period within which a demand under Rule 8 must be made. That position, however, does not carry the appellant where it seeks to go. If Section 28 does not govern a recovery under Rule 8, neither its normal period nor its extended period applies, and the only question is whether the notice was issued within a reasonable time. It follows that the computation in the memorandum, which divides the demand into a recoverable portion and a time barred portion by reference to the

periods in Section 28, cannot be sustained. Whether the notice was issued within a reasonable time is examined in the next paragraph.

29. Tested on the standard laid down in *Gujarat Ambuja Exports Ltd.*, the notice is not delayed. The transfers came to the Department's knowledge through the audit query of 07.04.2015 and the appellant's reply dated 13.07.2015. The duty was paid between August 2015 and January 2016, and the notice issued on 06.04.2016, within a year of the Department learning of the actual use. Even measured from the earliest transfer in April 2011, the notice issued within about five years, which, in the context of a sales tax revision with no prescribed period, *Bhatinda District Co-op. Milk P. Union Ltd*. regarded as the outer limit. The contrast with *Havells India Ltd*., where the notice was issued some six years after import and after a parallel notice had already covered the later period, is instructive. We hold that the demand of SAD under Rule 8 was raised within a reasonable period and is not barred.

30. That conclusion does not, however, dispose of the allegation that the non levy was occasioned by wilful misstatement or suppression of facts with intent to evade duty. That allegation remains the foundation of both the denial of credit under Rule 9(1)(b) of the CCR and the penalty under Section 114A, and it has been fully argued. The burden of establishing such an intent lies squarely on the Revenue. In *Uniworth Textiles Ltd. v. CCE, Raipur, 2013 (288) ELT 161 (SC)*, the Supreme Court held that mere non payment of duty is not equivalent to collusion, wilful misstatement or suppression, and that the word "wilful" introduces a mental element of deliberate default. In *Pushpam Pharmaceuticals Co. v. Collector, 1995 (78) ELT 401 (SC)*, as reiterated in *Rashtriya Chemicals and Fertilizers Ltd.* (paragraph 56), suppression was explained as the deliberate withholding of correct information "to escape from payment of duty". This Bench applied the same standard in *Brakes India Pvt. Ltd*., *2025 (6) TMI 758 –CESTAT CHENNAI*.

31. The circumstances against the appellant are real. Its quarterly returns under Rule 7 reported the entire quantity as consumed for the intended purpose, and on their strength it secured end use certificates and the cancellation of its bonds for two years. *Moser Baer India Ltd. v. Commissioner, 2015 (325) ELT 236 (SC)*, recognises that where goods meant for a particular purpose are diverted, as by sale in the domestic market, there is an infraction of the bond and the larger period may be invoked. A diversion of exempted goods that yields the importer a fiscal advantage would ordinarily speak for itself.

32. There are, however, weightier circumstances on the other side. The decisive one is that the appellant stood to gain nothing by the omission. Rule 3(1) of the CCR allows a manufacturer credit of the additional duty leviable under Section 3(5) of the Customs Tariff Act paid on inputs, and Rule 2(k)(ii), as noticed above, includes goods used for providing free warranty for final products among inputs. The Explanatory Notes to the Union Budget 2005-06, on which the appellant relied, confirm that this duty was designed to be creditable to domestic manufacturers. Most significantly, the second proviso to Rule 3(5) of the CCR, inserted by Notification No. 3/2011-CE (NT) dated 01.03.2011 with effect from 01.04.2011 and in force throughout the period of dispute, provides that the payment otherwise required on removal of inputs as such "shall not be required to be made where any inputs are removed outside the factory for providing free warranty for final products". Had the appellant paid SAD on the very components it sent out for warranty, it would have been entitled to credit of that duty on their receipt and would not have been required to reverse it on their removal. The Revenue has never disputed that the warranty was free in the sense explained in Rule 2(k), that is, a warranty whose value is included in the price of the computers and not separately charged. The exercise was thus wholly revenue neutral. In *Nirlon Ltd*. the Supreme Court held that "when the entire exercise was revenue neutral, the appellant could not have achieved any purpose to evade the duty". The jurisdictional High Court in *Tenneco RC India Pvt. Ltd*. applied that

principle even where the assessee was alleged to have wilfully suppressed the maintenance of a dual accounting system, and the Supreme Court has reaffirmed it as recently as *Rashtriya Chemicals and Fertilizers Ltd*. (paragraphs 57 and 58). This Tribunal followed it in *Kobelco Construction Equipment India Pvt. Ltd., 2025 (11) TMI 1736-CESTAT CHENNAI,* and this Bench did so in *Brakes India Pvt. Ltd., supra*.

33. We have not overlooked the caution sounded by a Bench of three Judges in *CCE v. Mahindra and Mahindra Ltd., 2005 (179) ELT 21 (SC)*, that the availability of credit is not by itself conclusive, though it is a relevant consideration whose weight depends on the facts. We have accordingly examined the other circumstances, and they too point in the same direction. The components transferred formed between 0.55 and 1.60 per cent of the value of the imports under the 1996 Rules in any year. The appellant's letter dated 13.07.2015 states that the as such clearances were declared in its monthly ER-1 returns, a statement which neither the notice nor either of the orders below controverts. Indeed, the audit note of 07.04.2015, as described in the memorandum of appeal, drew its query from those very returns. The appellant also reversed the countervailing duty credit on the same clearances, which shows that it treated them openly as removals as such and not as clandestine transfers. When the audit raised the query, the appellant at once admitted the transfers, explained the basis of its belief, and paid the duty before any notice was issued. Its belief that warranty use was use in relation to its final products was mistaken, as we have held, but it was not baseless, for the CCR itself treated such use as legitimate input use requiring no reversal. The incorrect returns are, in these circumstances, the product of that mistaken understanding of the end use condition rather than of any design to escape duty which could never have been saved. *Moser Baer India Ltd.* contemplated diversion by sale to third parties, where the loss to the revenue is manifest. It does not hold that every departure from the intended use, however revenue neutral, carries the stamp of intent to evade. We therefore, as

answer to the second question, hold that the Revenue has not established that the SAD became payable by reason of collusion, wilful misstatement or suppression of facts with intent to evade duty. Given our finding, the plea founded on *Pragathi Concrete Products* and the earlier audits does not require separate examination, and we express no view on it.

34. We must observe that neither authority below addressed this aspect with the care it demanded. The notice proposed recovery of the credit under Rule 3(5) as if inputs sent out for warranty attracted reversal, without noticing the second proviso which exempted precisely such removals. The Commissioner (Appeals) recorded the plea of revenue neutrality and then left it unanswered. He equally passed over the pleas on value added tax and on the second proviso to Rule 3(5), which were placed before him in the additional submissions dated 07.09.2017. He went further to hold that "undisputedly, the goods were not received by the Appellant in their factory of production". That finding runs contrary to the Revenue's own case in the notice that the components were "cleared as such from the factory", and to the end use certificates which record their receipt. A finding of intent to evade, which carries consequences of a penal character, must be based on an examination of the facts as they are. It cannot rest on facts assumed against the assessee and contrary to the record.

Admissibility of the cenvat credit of Rs.1,15,69,622/-

35. Rule 9(1)(b) of the CCR permits credit on "a supplementary invoice, issued by a manufacturer or importer of inputs or capital goods ... in case additional amount of excise duties or additional duty leviable under section 3 of the Customs Tariff Act, has been paid, except where the additional amount of duty became recoverable from the manufacturer or importer of inputs or capital goods on account of any non-levy or short-levy by reason of fraud, collusion or any wilful mis-statement or suppression of facts or contravention of any provisions of the Excise Act, or of the Customs Act, 1962 ... or the rules made

thereunder with intent to evade payment of duty". The Explanation below the clause clarifies that "supplementary invoice shall also include challan or any other similar document evidencing payment of additional amount of additional duty leviable under section 3 of the Customs Tariff Act". The TR-6 challans on which the appellant took credit evidence exactly such a payment. They are therefore documents on which credit may be taken under Rule 9(1)(b). The Revenue's only objection to them is that the exception in the clause applies. That exception is attracted only where the additional duty became recoverable by reason of fraud, collusion, wilful misstatement, suppression or contravention "with intent to evade payment of duty". We have held on the second issue that no such intent is established. The exception is therefore not attracted, and the credit of SAD actually paid on inputs received in the factory, which are inputs within Rule 2(k)(ii), is admissible under Rule 3(1). This Bench reached the same conclusion on the same clause in *Brakes India Pvt. Ltd. supra*, holding that where the duty paid bears no taint the credit taken on it is valid under Rule 9(1)(b).

36. The alternative ground in the notice, that an amount equal to the credit was payable under Rule 3(5) because the inputs were removed as such, is answered by the second proviso to that sub rule already noticed, which dispenses with any payment where inputs are removed outside the factory for providing free warranty for final products. The adjudicating authority, rightly, did not confirm the demand on that footing.

37. The appellant also urged, on the authority of *Karnataka Soaps and Detergents Ltd*. and *Essar Oil Ltd*., that the exception in Rule 9(1)(b) cannot apply at all where there is no sale. Since the credit is admissible on the finding that no intent to evade is established, that contention does not arise for decision and we do not express any view on it.

38. The denial of credit of Rs.1,15,69,622/-, the demand of interest on it and the consequential penalty under Rule 15 of the CCR read with Section 11AC therefore cannot be sustained.

The reversal of countervailing duty credit

39. The ground in the memorandum concerning the reversal of countervailing duty credit was pressed neither in the written synopsis nor at the hearing. It also lies outside these proceedings. The notice concerned only the SAD foregone and the credit taken on that SAD. Neither it nor the orders below dealt with the countervailing duty credit reversed on the warranty clearances. Whether that reversal was required, and whether any part of it is refundable or may be taken back as credit, are questions which have not been adjudicated by any authority and on which no claim is before us. Nor is the claim even consistent on the appellant's own papers. In paragraph D 3 of the memorandum the credit reversed is tabulated as totalling Rs.4,16,15,825/-. Annexure 25, at page 762 of the appeal, to which that paragraph refers for the details, totals Rs.4,10,94,651/- on a different tabulation. The letter dated 21.09.2015 at Annexure 26 treats Rs.59,16,296/- as the amount reversed and states that credit of that sum was taken back on 01.09.2015. On the appellant's own contentions and documents, therefore, how much was reversed, how much has since been taken back and whether anything at all remains outstanding are matters that could be ascertained only on verification of its records by the jurisdictional authority. The balance of Rs.3,56,99,529/-, on which the plea of set off rests, is thus not an established figure. An unadjudicated and unverified claim of that kind cannot be set off against a demand that has been lawfully adjudicated. We therefore express no opinion on it, and leave it open to the appellant to pursue such remedy as may be available to it in law, subject to limitation.

Interest on the SAD.

40. Rule 8 of the 1996 Rules, as amended by Notification No. 12/2002-Cus (NT) with effect from 01.03.2002, requires recovery of the duty foregone "along with interest, at the rate fixed by notification issued under Section 28AB of the Customs Act, 1962, for the period starting from the date of importation of the goods on which the exemption was availed and ending with the date of actual payment". The liability to interest thus arises from the rule itself and is part of the price of the conditional exemption which the appellant elected to avail. In *Pioneer Soap and Chemicals* the Delhi High Court held that "interest is chargeable because of the provisions of Rule 8 and not because of Section 28AB", and that the reference to Section 28AB serves only to fix the rate. The reference in the notice to Section 28AA therefore makes no difference to the source of the liability. For the same reason the decision of the Bombay High Court in *Mahindra and Mahindra Ltd. v. Union of India, 2022 (10) TMI 212 (Bom.),* to which we refer in the next issue, does not touch this liability. That decision concerned the substantive interest and penalty provisions of the Customs Act, which Section 3(8) of the Customs Tariff Act did not carry over to SAD. Section 3(8) expressly applies to the additional duty "the provisions of the Customs Act, 1962 and the rules and regulations made thereunder, including those relating to drawbacks, refunds and exemption from duties", and the 1996 Rules are rules relating to exemption from duty.

41. The appellant's objection to interest is on the premise that the principal was not payable and that interest beyond the normal period could not be demanded. We have held that the principal is payable and that the periods in Section 28 do not govern a recovery under Rule 8. The plea in reply to the notice that interest should run from the date of removal to the service centres is contrary to the express words of Rule 8, which fix the date of importation as the starting point. The plea taken in reply to the notice that the proceedings stood concluded under Section 28(2) of the Customs Act cannot survive our holding that Section 28 does not govern this recovery. In any event the interest was not paid before the

notice issued. Interest of Rs.36,57,166/- under Rule 8 is accordingly sustained, subject to adjustment of Rs.5,61,264/- already paid.

Penalties

42. Section 114A of the Customs Act imposes a penalty equal to the duty where the duty has not been levied "by reason of collusion or any wilful mis-statement or suppression of facts". Those ingredients are absent, for the reasons given under the second issue. The penalty fails on that ground alone. It fails also for a reason of law, which answers the appellant's contention that Section 114A is not borrowed. SAD is levied by Section 3(5) of the Customs Tariff Act, and until Section 3(12) of that Act was amended by the Finance (No. 2) Act, 2024 with effect from 16.08.2024, the borrowing clause in Section 3(8) carried over the machinery of the Customs Act and the rules relating to drawbacks, refunds and exemptions, but not its substantive penal provisions. The Bombay High Court so held in *Mahindra and Mahindra Ltd.*, observing in terms that "imposing interest and penalty on the portion of demand pertaining to surcharge or additional duty of customs or special additional duty of customs is incorrect and without jurisdiction". The special leave petition of the Union against that judgment was dismissed, *2023 (8) TMI 135 (SC)*, and the review petition was dismissed on 09.01.2024. This Tribunal has followed that decision in the appellant's own case, *Acer India (Pvt.) Ltd. v. Commissioner of Customs (Audit), Chennai*, 2024 (5) TMI 478- CESTAT CHENNAI, and again in *Kobelco Construction Equipment India Pvt. Ltd. supra.* The penalty of Rs.1,15,69,622/- under Section 114A is accordingly set aside.

43. *Punjab Tractors Ltd. v. CCE, 2005 (181) ELT 380 (SC),* on which the Revenue might draw, held that revenue neutrality does not excuse a penalty prescribed for an admitted breach of the rules. It does not assist the Revenue here. The only penalty proposed in relation to the SAD is one under Section 114A, which presupposes collusion, wilful

misstatement or suppression and is, in any case, not available in relation to SAD for the period in dispute.

44. Since the credit has been held admissible, there remains no wrongful taking or utilisation of credit on which a penalty under Rule 15 of the CCR read with Section 11AC could rest, and the penalty of Rs.1,15,69,622/- imposed under that provision must be set aside. We note, besides, that the Commissioner (Appeals) treated that penalty as "mandatory" once credit was denied. Rule 15(2) is attracted only where credit has been taken or utilised wrongly by reason of fraud, collusion, wilful misstatement, suppression of facts or contravention with intent to evade payment of duty, and its imposition is never automatic. The adjudicating authority, for his part, imposed the maximum penalty "to avoid such unnecessary burden to the administration" and "in order to avoid such happenings in future". A quasi judicial authority imposing a penalty is bound by the ingredients of the provision invoked. General deterrence, divorced from any finding that those ingredients exist, is no ground for a penalty under a taxing statute.

Conclusion

45. Our conclusions are summed up as follows. The appellant did not fulfil the end use condition of the SAD exemption for the components it sent to its service centres for warranty replacement. Neither the definition of input in the CCR, nor the doctrine of intended use, nor the end use certificates, nor the absence of value added tax on warranty supplies relieves it of that consequence. The SAD of Rs.1,15,69,622/- was therefore rightly held recoverable under Rule 8 of the 1996 Rules, and the demand was raised within a reasonable period as required by *Gujarat Ambuja Exports Ltd*. Interest under Rule 8 follows. At the same time, the exercise was wholly revenue neutral, the transfers were minor and openly explained once queried, and the Revenue has not established any intent to evade duty. The exception in Rule 9(1)(b) is therefore not attracted, and the credit of the SAD paid is admissible. For the same reason, and also because Section 114A did not apply to

SAD before 16.08.2024, the penalty under that section cannot stand, and the penalty under Rule 15 of the CCR, which presupposes a wrongful taking or utilisation of credit, has no foundation once the credit is held admissible. The claim concerning the reversal of countervailing duty credit lies outside these proceedings and is left open. The order of the Commissioner (Appeals) thus requires to be modified, and the appeal succeeds in part.

46. In the result, we dispose of the appeal as under.

(i) The confirmation of the demand of SAD of Rs.1,15,69,622/- as recoverable under Rule 8 of the Customs (Import of Goods at Concessional Rate of Duty for Manufacture of Excisable Goods) Rules, 1996, and the appropriation of the amount of Rs.1,15,69,622/- paid by the appellant towards it, are upheld.

(ii) The demand of interest of Rs.36,57,166/- on the said SAD under Rule 8 of the said Rules is upheld, and the amount of Rs.5,61,264/- already paid shall be adjusted towards it.

(iii) The penalty of Rs.1,15,69,622/- imposed under Section 114A of the Customs Act, 1962 is set aside.

(iv) The denial and recovery of cenvat credit of Rs.1,15,69,622/- under Rule 14 of the Cenvat Credit Rules, 2004 read with Section 11A(4) of the Central Excise Act, 1944, together with the interest demanded on it, are set aside, and the credit is held admissible.

(v) The penalty of Rs.1,15,69,622/- imposed under Rule 15 of the Cenvat Credit Rules, 2004 read with Section 11AC of the Central Excise Act, 1944 is set aside.

The impugned order is modified accordingly, and the appeal is partly allowed, with consequential relief, if any, in accordance with law.

(Order pronounced in open court on 05.11.2026)

(AJAYAN T.V.)
MEMBER (JUDICIAL)

(VASA SESHAGIRI RAO)
MEMBER (TECHNICAL)

Mpk