

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

REGIONAL BENCH - COURT NO. 1

Central Excise Appeal No. 20180 of 2018

(Arising out of Order-in-Appeal No. 450/2017 CT dated 20.11.2017
passed by the Commissioner of Central Tax (Appeals-II), Bangalore.)

M/s. Krishi Polymers Pvt. Ltd.
#38/2, Nadakerappa Indl.Estate,
Andrahalli main road, Peenya,
Bangalore – 560 091.

Appellant(s)

VERSUS

**Commissioner of Central Tax,
Bangalore North West
Commissionerate,**
2nd Floor, South Wing, BMTC Bus Stand
Complex, Shivaji Nagar, Bengaluru,
Karnataka – 560 051.

Respondent(s)

With

Central Excise Appeal No. 20549 of 2022

(Arising out of Order-in-Appeal No. 127/2021-22 CT dated
31.03.2022 passed by the Commissioner of Central Tax (Appeals-II),
Bangalore.)

M/s. Krishi Polymers Pvt. Ltd.
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Andrahalli main road, Peenya,
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Respondent(s)

APPEARANCE:

Mr. H.R. Vishwanath, Advocate for the Appellant
Mr. Vikalp Jain, Superintendent (AR) for the Respondent

**CORAM: HON'BLE DR. D.M. MISRA, MEMBER (JUDICIAL)
HON'BLE MR PULLELA NAGESWARA RAO,
MEMBER (TECHNICAL)**

Final Order No. 22027 - 22028 /2025

DATE OF HEARING: 14.11.2025

DATE OF DECISION: 14.11.2025

DR. D.M. MISRA

These two appeals are filed against respective Orders-in-Appeal passed by the Commissioner of Central Tax (Appeals-II), Bangalore, since involved common issues are taken up together for hearing and disposal.

2. Briefly stated the facts of the case are that the appellant are engaged in the manufacture of CPVC pipes, CPVC fittings, PVC / HDPE pipes, LLDPE pipes in running length, sprinklers and sprinkler parts falling under Chapter heading 3917, 8424 and 8432 of Central Excise Tariff Act, 1985. As a part of investigation, their factory premises was visited on 29.09.2014 by the officers of the Central Excise Department and on verification of their records and further recording of the statements, it was noticed that the appellant had not paid applicable duty on manufactured LLDPE pipe and sprinklers wrongly claiming benefit of exemption under Sl.No.70 of the Notification No.3/2005-CE dated 24.02.2005. On conclusion of the investigation, show-cause notice was issued on 14.10.2015 invoking extended period of limitation demanding Central Excise duty of Rs.13,22,645/- for the clearances made during the period 01.04.2011 to 31.12.2014 with interest and penalty. Similar show-cause notice was later issued on 08.08.2018 (appeal No.E/20549/2022) proposing recovery of duty of Rs.8,66,683/- for the period from July 2016 to June 2017 with interest and penalty. Both the show-cause notices were adjudicated separately confirming the demand with interest and penalty. Aggrieved by the said orders, they filed appeals before

the learned Commissioner(Appeals) who in turn rejected their appeals. Hence the present appeals.

3.1. At the outset, the learned advocate for the appellant has submitted that they manufactured and cleared CPVC pipes and fittings on which they discharged duty; however, on manufacture and clearance of LLDPE pipes in running length and sprinklers, they were not discharging duty since the same were cleared for agriculture purpose particularly Drip Irrigation System(DIS). He has submitted that the appellant had declared its classification as parts of the agriculture equipment system falling under Chapter 8424, being used in agriculture purposes whereas the Department proposed its classification under Chapter 3917 as tubes, pipes and hoses for general use. It is his contention that the sole ground on which the Department proposed its reclassification rests on the fact that the pipes / laterals are cleared in running length and without punching holes on it; hence it is not considered as DIS. Rebutting the said finding, he has submitted that as per IS-12786:1989, pipes shall be supplied on coil of normal length in specified meters unless otherwise agreed to between the parties. He has submitted that there is no other method of clearing the pipes other than in running length. The length of the laterals depends on area of land, crops etc. Punching holes and fittings of the parts depends on the land density of the crops etc. He has submitted that the goods in question are specifically meant for DIS and the specification of the pipes is solely meant and suitable only for DIS; it cannot be used for any other purpose. It is specifically designed to spreading on the surface for DIS. Referring to HSN Explanatory Note to Chapter 84 under the head Irrigation Systems and Note 4 to Section XVI on the rules of classification in respect of a machine, he has submitted that the pipes are specifically meant for DIS; hence, it cannot be considered as parts for general use as defined under Note 2 of Section XV;

hence, the correct classification is under Chapter 8424 of CETA, 1985.

3.2. He has further submitted that this issue of classification of the DIS is no longer *res integra* and covered by various judgments of this Tribunal. In support, he has referred to the judgment in the case of ELGI Ultra Appliances Ltd. Vs. CCE, Coimbatore [2001(134) ELT 245 (Tri. Chennai)] which has been affirmed by the Hon'ble Supreme Court reported as 2000(12) ELT A199(SC), and later followed in the case of Kisan Irrigation and Infrastructure Ltd. Vs. CCR, Indore [2018(2) TMI 904-CESTAT, New Delhi; Jain Irrigation Systems Limited Vs. CCE&C, Nasik [Final Order No.A/86097-86105/2025 dated 17.07.2025] and Flow Tech Power Vs. CCE, Coimbatore [2001(130) ELT 541 (Tri. Chennai)].

3.3. He has further submitted that recently a Circular No.155/11/2021-GST dated 17.06.2021 issued by the CBIC in connection with clarification regarding GST rate on laterals / parts of sprinklers of DIS made it clear that sprinklers of DIS parts are classifiable under Chapter heading 8424 as per Note 2(b) to Section XVI to the HSN. Further, he has submitted that demand invoking extended period in appeal No. E/20180/2018 cannot be sustained as the issue relates to interpretation of the relevant tariff entry and all the facts relevant to the present case were within the knowledge of the Department and neither misdeclared nor suppressed; hence, confirmation of demand is bad in law.

4. Learned AR for the Revenue has reiterated the findings of the learned Commissioner(Appeals)

5. Heard both sides and perused the records.

6. The limited issue involved in the present appeal for consideration is whether the LLDPE pipes cleared in running length and sprinklers for DIS are eligible to the benefit of Notification No.3/2005-CE dated 24.02.2005 attracting clarification under Chapter heading 8424 instead of Chapter heading 3917 as proposed by the Department.

7. Undisputed facts of the case are that the appellant had discharged Central Excise duty on other manufactured items of general activity viz. CPVC pipes, fittings etc. whereas not discharged duty on LLDPE pipes in running length being used in DIS claiming its classification under Chapter 8424. Evidences brought on record not disputed by Revenue also indicate that the LLDPE pipes and sprinklers cleared by the appellant are exclusively used for agricultural purposes. The issue of classification of such pipes and sprinklers has been addressed by this Tribunal in the case of ELGI Ultra Appliances Ltd. (supra) which has been subsequently followed in a series of cases. Analysing the relevant Chapter Note and HSN notes, this Tribunal observed as follows:-

5. On careful consideration of the submissions made by both the sides we are required to consider as to whether these LDPE/HDPE pipes manufactured by the appellants along with drippers, reducers, elbows, filters, etc. are to be considered as DIS falling under sub-heading 84.24 of the CET Act, 1985 which deals with mechanical appliances (whether or not hand operated) for projecting dispersing or spraying liquids or powders; fire extinguishers, whether or not charged; spray guns and similar appliances; Steam or sand blasting machines and similar jet projecting machines.

8424	Mechanical appliances of a kind used in agriculture or horticulture
8424.80	Other Parts
8424.91	Of goods covered by sub-heading No. 8424.10
8424.99	Other

6. The department in the show cause notice has alleged that LDPE/ HDPE pipes manufactured by the appellants do not appear to be classifiable under sub-heading 84.24 since they are not for use solely or principally with DIS. Note 2 of Section XVI lays down as follows :

2. Subject to Note 1 of this Section, Note 1 to Chapter 84 and Note 1 to Chapter 85, parts of machines (not being parts of the articles of Heading Nos. 84.84, 85.44, 85.45, 85.46 or 85.47) are to be classified according to the following rules :

(a) Parts which are goods included in any of the headings of Chapter 84 or Chapter 85 (other than Heading Nos. 84.09, 84.31, 84.48, 84.86, 84.73, 84.85, 85.03, 85.22, 85.29, 85.38 and 85.48) are in all cases to be classified in the respective headings.

(b) Other parts if suitable for use solely or principally with a particular kind of machine, or with number of machines of the same heading (including a machine of heading No. 84.79 or heading No. 85.43) are to be classified with machines of that kind or in Heading Nos. 84.09, 84.31, 84.48, 84.66, 84.73, 85.03, 85.22, 85.29 or 85.38 as appropriate. However, parts which are equally suitable for use principally with the goods of heading Nos. 85.17 and 85.25 to 85.28 are to be classified in heading No. 85.17.

(c) All other parts to be classified in heading Nos. 84.09, 84.31, 84.48, 84.66, 84.73, 85.03, 85.22, 85.29 or 85.38 as appropriate or falling that, in heading Nos. 84.85 or 85.48.

The department contends that under note 1(g) of Section XVI parts had been used as defined in note to Section XVI of base metal (Section XV) and similar goods of plastic of chapter 39 are excluded from Section XVI which has chapter 84 within it. The appellants contention has been that the goods are not parts of general use but they are specifically manufactured for DIS and cleared as such for the purpose of distribution of water to the lands where crops are growing. They contend that the item in question is manufactured as per the requirements, they are laid out for distribution to the irrigation system. In this connection the appellants have produced the evidence of ISI specifications meant for pipes in irrigation system/laterals. The appellants have also produced letter dated 16-7-1996 from the Agricultural Engineering Department issued by the Chief Engineer who has recognised the manufacture of DIS scheme and has issued the licence to the appellants under the agricultural engineering centrally sponsored scheme for

use of plastics in Agriculture-Drip Installation for Horticulture crops. It is contended that the goods are manufactured specifically for agricultural laterals and are not for general purpose. They point out that registration certificate has been given by the ISI for such manufacture. They also relied upon the invoice which clearly show that these goods were removed earlier against specific order and invoice deals with the entire system including pipes which are fitted to this system. The Collector has basically proceeded on the note 1(g) of Section XV which excludes parts of general use as defined under note 2 of Section XV. Note 2 of Section XV defines parts of general use as follows :

- (a) Articles of heading Nos. 73.07, 73.12, 73.15, 73.17 or 73.18 and similar articles of other base metal;
- (b) Springs and leaves for springs, of base metal, other than clock or watch springs (heading No. 91.14); and
- (c) Articles of heading Nos. 83.01, 83.02, 83.08, 83.10 and frames and mirrors, of base metal, of heading No. 83.06.

It is contended that only these parts which are specified therein are to be treated as parts of general use and not others. It was also pointed out by the learned Consultant that the parts of DIS falling under 84.24 are not mentioned in the above note No. 2. On consideration of the submissions and on perusal of the above Note 2 of Section XV it is clear that the article and parts of heading 84.24 are not mentioned therein. Further the evidence on record clearly discloses that the items in question are specifically removed for the purpose of DIS and DIS would not come into existence without these manufactured pipes along with its fixtures. The appellants have been manufacturing and clearing the DIS in terms of the specific orders received from the parties. The invoices are supportive of their pleas. They have also produced their marketing literature which shows that these pipes are designed and the system is also designed for lay out for supply of water to the agriculture. On perusal of the evidence it is clear that the pipes are laid out as per the drawings and various strips are fixed to this pipes at the spot laid out. Therefore, the contention of the department that the parts are of general use as defined under Note 2 of Section XV & Note 1(g) of Section XV is not acceptable as the said Note 2 of Section XV does not refer to these parts under Chapter 84.24.

7. It is also seen that in terms of note 2(b) of Section XVI parts if suitable for use solely or principally with a particular kind of machines are required to be classified along with the main item. These parts have become part of DIS and manufactured as per ISI specifications for

use only as DIS is required to be considered for classification along with the entire system by applying Note 2(b) of Section XVI. Further even Note 4 of Section XVI reads as follows :

“Where a machine (including a combination of machines) consists of individual components (whether separate or inter-connected by piping, by transmission devices, by electric cables or by other devices) intended to contribute together to a clearly defined function covered by one of the headings in Chapter 84 or Chapter 85, then the whole falls to be classified in the heading appropriate to that function”.

On a reading of this, it is clear that if the machines consist of individual components (whether separate or inter-connected by piping, by transmission devices) intended to contribute together to a clearly defined function covered by one of the headings in Chapter 84, then the whole parts should be classified in the headings appropriate to that function. If this note is taken into consideration also, the pipes which are specifically manufactured for DIS parts is required to be classified as a system itself. It has clearly defined function and the item i.e. DIS clearly fall under Heading 84.24 which refers to mechanical appliances or for projecting, dispersing or spraying liquids etc.

8. The supportive arguments for the appellants is also a reading of explanatory note to HSN under Chapter 84.24 which deals with irrigation system. The said note deals with irrigation system which reads as follows :

“(E) IRRIGATION SYSTEMS

These irrigation systems, consisting of various components linked together usually include :

- (i) a control station (mesh filters, fertiliser injectors, metering valves, non-return valves, pressure regulators, pressure gauges, air vents, etc.);
- (ii) an underground network (distribution lines and branch lines which carry the water from the control station to the irrigation zone); and
- (iii) a surface network (drifter lines incorporating the drippers).

Such systems are classified in this heading as functional units within the meaning of Note 4 to Section XVI (see the General Explanatory Note to that Section).

This heading also covers:

- (1) Machines for coating various objects (for example, cups, cartons, boxes) by spraying with paraffin wax or molten wax.

(2) Electrostatic painting apparatus consisting of a spray gun connected to a paint container by a flexible tube carrying paint, and also connected to a high-tension generator by an electric cable. The electrostatic field created between the object to be painted and the gun attracts the paint particles sprayed by compressed air to that object and prevents dispersion.

(3) Industrial robots specially designed for projecting, dispersing or spraying liquids or powders.

PARTS

Subject to the general provisions regarding the classification of parts (see the General Explanatory Note to Section XVI), the heading includes parts for the appliances and machines of this heading. Parts falling in this heading thus include, *inter alia*, reservoirs for sprayers, spray nozzles lances and turbulent sprayer heads not of a kind described in heading 84.81.”

On a careful reading of the above note, it is seen that an underground network (distribution lines and branchlines which carry the water from the control station to the irrigation zone) and also surface network (dripper lines incorporating the drippers) constitute irrigation system and the above note also emphasises that such system are classifiable under heading 84.24 as functional units within the meaning of Note 4 to Section XVI. The parts thereof are also brought under this Section and the parts as are referred to above include reservoirs for sprayers, spray nozzles, lances and turbulent sprayer heads, to form the irrigation system as they carry out functions of the ground network for distribution of water and surface network. The irrigation system basically is of these pipes and the other items referred to above, which carry out the functions of distribution and dispersing or spraying in terms of the description under Chapter 84.24 and the said sub-heading 8414.10 dealing with removable appliances of the kind used in agriculture or horticulture. Therefore, parts thereof are covered by sub-heading 8424.91. As a result, the appellants’ claim for the benefit of exemption Notification for the items falling under Heading 84.24 claiming nil rate of duty under Notification No. 56/95 dated 16-3-1995 is justified.

9. The learned DR has relied upon the judgment in the case of *Jyoti Plastics v. CC* as reported in [1993 \(64\) E.L.T. 291](#) (Tribunal), wherein the item was plastic pipes of general use and were not meant to be used for DIS. The show cause notice itself indicated that the product are exclusively used in chemical industry and the

products are of non-corrosive characteristic and on that ground being of general use the Tribunal applied note 1(g) of Section XVI which excludes parts of general use. The facts in this case are totally different and the ratio of the decision cited is distinguishable.

8. Following the aforesaid judgment, we are of the view that the LLDPE pipes cleared in running length even though not punched with holes and the sprinklers cleared by the appellant are classifiable under Chapter heading 8424 and the appellants are entitled to the benefit of Notification No.3/2005-CE dated 24.02.2005. Consequently, the impugned orders are set aside and the appeals are allowed with consequential relief, if any, as per law.

(Operative part of this Order was pronounced in Open Court on conclusion of the hearing.)

(D.M. MISRA)
MEMBER (JUDICIAL)

(PULLELA NAGESWARA RAO)
MEMBER (TECHNICAL)

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