

**IN THE CUSTOMS, EXCISE AND SERVICE TAX APPELLATE TRIBUNAL  
CHENNAI**

REGIONAL BENCH – COURT No. III

**Excise Appeal No. 40371 of 2015**

(Arising out of Order-in-Appeal No. 200/2014 dated 19.11.2014 passed by Commissioner of Customs, Central Excise & Service Tax (Appeals-I), 6/7, A.T.D. Street, Race Course Road, Coimbatore – 641 018)

**M/s. KEAS Control Systems India Pvt. Ltd.**

**...Appellant**

1<sup>st</sup> Floor, 438A, Kamarajar Road,  
Lakshmipuram,  
Peelamedu,  
Coimbatore – 641 004.

***Versus***

**Commissioner of GST and Central Excise**

**...Respondent**

Coimbatore Commissionerate,  
No. 6/7, A.T.D. Street,  
Race Course Road,  
Coimbatore – 641 018.

**APPEARANCE:**

For the Appellant : Mr. R. Balagopal, Consultant

For the Respondent : Mr. N. Satyanarayana, Authorised Representative

**CORAM:**

**HON'BLE MR. VASA SESHAGIRI RAO, MEMBER (TECHNICAL)**

**DATE OF HEARING : 04.09.2025**

**DATE OF DECISION : 12.12.2025**

**FINAL ORDER No. 41465 / 2025**

**Order:-**

The present appeal No. E/40371/2015 is filed by M/s. KEAS Control Systems India Pvt. Ltd., challenging Order-in-Appeal No.CMB-CEX-000-APP-200-2014 dated 19.11.2014 passed by the Commissioner of Central Excise (Appeals I), Coimbatore.

2. Briefly stated the facts of the present appeal are that the appellants are manufacturers of control panels classifiable under Heading 8537 00 00 of the Central Excise Tariff Act, 1985. On scrutiny of input credit records and invoices for the period 2007-08 to 2011-12 (upto December, 2011), department was of the view that the appellants had availed ineligible Cenvat credit to the extent of Rs.38,71,598/-. The allegation was based on discrepancies such as: inputs being sent directly by suppliers to job workers; finished goods being cleared directly from the job worker's premises to the appellants' customers; non-compliance with Notification No. 214/86-CE dated 25.03.1986 due to failure to file the required undertaking before the jurisdictional authority of the job worker, and non- production of certain invoices on which credit was availed.

3. Consequently, Show Cause Notice No. 05/2012 dated 07.05.2012 was issued proposing recovery of wrongly availed Cenvat credit of Rs.38,71,598/-, along with interest and penalty under Rule 15 of the Cenvat Credit Rules, 2004 read with Section 11AC of the Central Excise Act, 1944. After

the due process, the Adjudicating Authority confirmed the demand *vide* Order-in- Original dated 29.04.2014.

4. Being aggrieved, the appellant has filed an appeal before the Commissioner of Central Excise (Appeals I), Coimbatore, who rejected the appeal by the Order-in-Appeal No.CMB-CEX-000-APP-200-14 dated 19.11.2014. Aggrieved, the appellant came before this forum in appeal.

5. The Ld. Consultant Mr. R. Balagopal representing the appellants reiterated the submissions made in the grounds of appeal and emphasized that the finished goods were not cleared directly from the job worker's premises in all cases. He submitted that Cenvat credit was availed only upon receipt of the goods at the appellant's premises. He submits that the department had seized all Cenvat credit invoices, and the verification report of the Range Officer-despite specific requests was never furnished to enable the appellants to present an effective defence. He contended that the credit had been denied merely on procedural grounds, which is not sustainable. He further argued that the department relied on certain invoices referred to in para 16 of the SCN, but copies of these invoices were not supplied, even though only the

invoices referred to in para 15 were permitted for perusal. He also submitted that the details referred to in para 6.3.16 of the Order-in-Original were never called for from the appellant. The verification report dated 29.03.2014, relied upon in the SCN, was not provided, and the statements recorded under Section 14 were not taken in accordance with the procedure prescribed under Section 9D(2) of the Central Excise Act, 1944. In view of these procedural lapses, he prayed that the matter be remanded to the adjudicating authority with directions to supply all relied-upon documents and to re-adjudicate the case after considering the submissions that the appellants would make upon receipt of the complete records.

6. The Ld. Authorised Representative Mr. N. Satyanarayana has represented the Department. He has affirmed the findings of the lower adjudicating authorities. He has further submitted that CENVAT Credit was rightly denied as the appellant has not produced their finished goods in their premises but manufactured their finished goods in their job worker's premises and supplied the same directly to their customers from the job worker's premises; Notification No. 214/86-CE dated 25.03.1986 was not followed; the appellants were not able to produce the CENVAT Credit availed invoices; in some of the input invoices, the consignee's address has

been mentioned wrongly; appellants have taken credit of the VAT amount; and the appellants have not maintained any accounts manually or electronically for the receipt of the goods and the dispatch of the goods.

7. Heard both sides and considered the submissions made in the grounds of appeal and also during the course of hearing before the Tribunal.

8. The primary issue for determination in this appeal is whether the appellants had correctly availed Cenvat credit on inputs, or whether such credit is ineligible as alleged by the department for discrepancies mentioned in the show cause notice and consequential orders.

9. From the facts outlined above, it is evident that the issue must be examined in the context of the facility provided by the Government permitting direct supply of inputs from the supplier to the job worker on behalf of the principal manufacturer. As long as the eligible inputs are received by the job worker directly from the supplier, and the processed goods are received back by the principal under proper

documentation, the principal's entitlement to Cenvat credit cannot be denied. At the same time, there must be clear evidence to show that appropriate central excise duty has been paid on the finished goods-either by the appellants, as the principal manufacturer, or by the job worker where the job worker is an independent manufacturer interms of Rule 4(5) of the Cenvat Credit Rules, 2004. The duty payment on the final product is not in dispute either in the notice or the order.

10. During the hearing and in the submissions, the appellants consistently maintained that they were not afforded an adequate opportunity to verify the records or submit documents to substantiate their claim that the credit availed was eligible and that appropriate duty had been paid. Since the issue hinges entirely on proper scrutiny of documents, it was essential that sufficient opportunity be granted. Given the substantial amount involved and the absence of any indication that adequate opportunity was provided, the principles of natural justice mandate that the appellants be given full access to all relied-upon records. In the absence of such opportunity, the proceedings cannot be sustained.

11. The Hon'ble Bombay High Court in Surinderpal Chamanlal Aggarwal HUF vs State of Maharashtra [2025 (93) G.S.T.L. 364 (Bom.), in a similar situation has observed as follows: -

**"11.** *Out of the above documents, the documents at Sr. No. 1, 2 and 3 have been relied upon and even quoted extensively in the impugned order. Admittedly, such documents were neither referred to in the show cause notice nor were the copies of these documents ever furnished to the petitioner. The petitioner came to know of these documents or, rather, came to know that such documents were being used against him only after the receipt of the impugned order.*

**12.** *Since the above documents form a substantial basis of the impugned order as stated in the impugned order itself, the petitioner should have been furnished copies or at least made aware in the show cause notice that such documents were proposed to be used against the petitioner. Since this was not done, we agree with the Learned Counsel for the petitioner that there has been a failure of natural justice.*

**13.** *Ms. Vyas had relied on the statement in Paragraph 7(xi) of Mr. Sanjay Nikam's affidavit, and the same reads as follows;*

*"xi. During the final hearing Mr. Jagdish Gokhale (STP) was made aware about statement of Mr. Shailendra J. Khona (Director of M/s. Jash Dealmark Ltd.). As per his (Mr. Shailendra J. Khona) statement, M/s. Jash Dealmark Ltd. is engaged in FMCG trading business. In guise of FMCG business, bogus/fake sale invoices were issued without actual movement of goods. Mr. Khona further stated that the recipients of this invoices make payments by the way of RTGS in to account of M/s. Jash Dealmark Ltd. and thereafter M/s. Jash Dealmark Ltd. deducting the commission of 2% & return the remaining amount in cash to the respective recipients of invoices. Mr. Gokhale argued that he didn't have any opinion on Mr. Khona's statement. He relied on his clients documents."*

**14.** *Ms. Vyas admitted that Mr. Sanjay was not present during the final hearing of the matter before the Adjudicating Authority. Therefore, we fail to understand the basis of the above statement, which is now relied upon. Be that as it may, the petitioners' grievance relates to the first three documents*

*referred to in the references in the impugned order. The affidavit is silent regarding the said three documents. Thus, based on the averments made in the affidavit or the contentions of Ms. Vyas, we cannot reject the petitioners' contention based upon the failure of natural justice.*

**15.** *Only on account of the failure of natural justice and without adverting to the merits were set aside the impugned order dated 30 April, 2024, and remand the matter of the adjudicating officer for fresh decision following law. However, the respondents must furnish the documents at Sr. No. 1, 2 and 3 referred to in the references in the impugned order and any other material they may seek to rely upon or use against the petitioner. The copies of such documents must be furnished to the petitioner, and the petitioner must be allowed a reasonable opportunity to deal with or explain such documents. The petitioner must be given an opportunity for a hearing, and the final order must be reasoned."*

12. In view of the above discussions, on taking note of the factual situation as narrated by the appellants, I remand the matter to the Original Authority who shall accord sufficient time and opportunity to the appellants to verify and submit the documents to substantiate their contentions and grounds. The Adjudicating Authority must give copies of documents relied upon or seized from the appellants premises at the request of the appellants. Since the matter pertains to the period 2007-08 to 2011-12 upto December, 2011, the adjudication shall be completed within 3 months of the date of receipt of this order.

13. The appellant shall cooperate with the department and should not take any extension of time or delay the submission of documents/evidence.

14. Accordingly, the appeal is disposed off.

(Order pronounced in open court on 12.12.2025)

Sd/-  
**(VASA SESHAGIRI RAO)**  
MEMBER (TECHNICAL)

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