

**IN THE CUSTOMS, EXCISE & SERVICE TAX APPELLATE TRIBUNAL,
KOLKATA**

REGIONAL BENCH – COURT NO.1

Excise Appeal No.75997 of 2018

(Arising out of Order-in-Appeal No.36/CE/BBSR-GST/2017 dated 29.12.2017 passed by Commissioner of CGST & Central Excise, Bhubaneswar)

M/s Vedanta Limited

(Vill. Jagannath, PO-Lanjigarh, Dist.-Kalahandi, Odisha)

Appellant

VERSUS

Commissioner of CGST & Central Excise, Bhubaneswar

(KK-42, Civil Township, Rourkela-769004)

Respondent

APPEARANCE :

Shri Rahul Tangri and Ms.Payal Bharwani, both Advocates for the Appellant
Shri B.K.Singh, Authorized Representative for the Respondent

CORAM:

HON'BLE MR.ASHOK JINDAL, MEMBER (JUDICIAL)

HON'BLE MR.K.ANPAZHAKAN, MEMBER (TECHNICAL)

FINAL ORDER NO.77930/2025

DATE OF HEARING : 10 DECEMBER 2025

DATE OF DECISION : 10 DECEMBER 2025

Per Ashok Jindal :

This is an appeal filed by the appellant against the impugned order wherein cenvat credit on the inputs and the capital goods has been denied to the appellant along with interest and penalty was also imposed on the appellant.

2. The facts of the case are that the appellant is engaged in manufacturing Calcined Alumina falling under Chapter 28 of the First Schedule to the Central Excise Tariff Act, 1985. Accordingly, the appellant obtained registration under the Central Excise Act, 1944 and was duly discharging excise duty on the clearance of such excisable final products.

2.1 In order to undertake the manufacturing activity, the appellant received various inputs, capital goods and input services. The Appellant

was availing the Cenvat Credit of duties and taxes paid thereon in accordance with the Cenvat Credit Rules, 2004 and duly reflecting the fact of such availment in the books of accounts as well as the periodic excise returns filed during the underlying period.

2.2 During the period Oct, 2013 to July, 2014, the appellant availed Cenvat Credit on various inputs which *interalia* included fixed scrappers, welding electrodes, electroduplex and electrodesettelite and also on various capital goods which *interalia* included oil seal, belt drive, rubber of cleaning idlers, castable refractory, conveyor belt, rubber lagging, liner of chute hopper, brush for coupling RB, etc..

2.3 The Department undertook scrutiny of the periodic ER-1 returns filed by the appellant for the underlying period. Upon such scrutiny, the Department formed a view that the Cenvat Credit availed by the Appellant on the underlying inputs and the underlying capital goods, along with other inputs like, filter clothes and grinding media balls, is not eligible to the appellant.

2.4 On the basis of such scrutiny, the underlying Show-Cause Notice dated 14.10.2014 was issued upon the appellant, proposing to deny such Cenvat Credit totalling to Rs.32,47,004/-, along with interest and equivalent penalty based on the following allegations:

- The underlying inputs as well as Filter Cloth and Grinding Media Balls do not qualify as 'inputs' as per the definition of the term in Rule 2(k) of the CCR, 2004.
- The underlying capital goods do not qualify as 'capital goods' as per the definition of the term in Rule 2(a) of the CCR, 2004.

- The Appellant failed to intimate the facts of availment of Cenvat Credit on the aforementioned goods, either by way of declaration or statutory returns, as per CCR, 2004. Hence, the Appellant is liable to penalty equivalent to the Cenvat Credit wrongly taken and utilized, on account of willful suppression of such facts from the Department.

2.5 In response thereto, the appellant having filed a detailed reply vide letter dated 04.02.2015 along with two additional written submissions vide letters dated 11.03.2015 and dated 20.09.2016 to substantiate the eligibility of Cenvat Credit on all disputed inputs and capital goods. Such replies are summarized below:

- (i) Filter clothes are used to separate slurry particles from red mud cake or coarse particles. They act like a membrane to pass only fine particles of slurry. Accordingly, Cenvat Credit on such filter clothes, which are inputs for the Appellant, ought not be denied.
- (ii) Grinding media balls are used in ball mill for grinding bauxite lumps in order to reduce their size from 40mm to 1mm. Accordingly, Cenvat Credit on such grinding media balls, which are inputs for the Appellant, ought not be denied.
- (iii) Welding electrodes are used as components, spare parts and accessories of welding machine, which machine is covered under Chapter 84 of the Central Excise Tariff Act. Hence, the Cenvat Credit on such electrodes, which duly qualify as capital goods, ought not be denied.

(iv) Fixed Scrapper is installed at the bottom of the conveyor belt in order to clean the surface of the belt from dust and soil. Accordingly, Cenvat Credit on such scrapper, which is an input for the Appellant, ought not be denied.

(v) With respect to all the underlying capital goods, they are either used as components, or spare parts or accessories of the capital goods falling under Rule 2(a)(i) of the CCR, 2004. Hence, the Cenvat Credit thereon ought not be denied.

2.6 Despite detailed submissions substantiating the eligibility of Cenvat Credit on all the inputs and capital goods, the Ld.Additional Commissioner confirmed a substantial demand of Cenvat Credit of Rs.28,48,211/- availed on the underlying inputs and underlying capital goods, along with interest and equivalent penalty. Only a meagre demand of Cenvat Credit availed on filter cloth and grinding media was allowed to the appellant.

2.7 Being aggrieved with the said order, the appellant is before us.

3. The Id.Counsel for the appellant submits that the instant issue regarding eligibility of cenvat credit on welding electrode is no longer res-integra and is favour on behalf of the appellant by the decision of this Tribunal in the appellant's own case Vedanta Limited Vs. Commissioner of Central Excise, Customs & Service Tax, Rourkela (Vice-Versa) reported in 2025 (11) TMI-596-CESTAT Kolkata.

3.1 Further, in respect of Fixed Scrapper input service, he submits that the Fixed Scrapper is used in bauxite handling conveyor system in order to clean the belt and maintain it in running condition. It is installed at the bottom of the belt so as to clean the surface of the belt

from soil, dust, etc. It is an undisputed fact that such goods are used in the factory of the Appellant where the Appellant undertakes the manufacturing activity. Accordingly, they qualify as 'inputs' as per Rule 2(k)(i) of the CCR, 2004. Further, such Cenvat Credit on such inputs ought not be denied specifically where such inputs have an intrinsic nexus with the activity of manufacture of final product. To support his contention, he relies on the following decisions :

- (i) Raj Cement v. UOI, 2006 (197) E.L.T. 491 (Raj.)
- (ii) CCE, Trichy v. Dalmia Cements (P) Ltd., 2002 (147) E.L.T. 1000 (Tri. Chen.)

3.2 In respect of welding electrodes, welding settelite and welding xuper, he submits that the appellant used the welding electrodes with the welding machine which machine falls under Chapter 84 of the Central Excise Tariff Act. Further, the welding electrodes, settelites and xupers are also for fabricating or manufacturing capital goods, such as reactor vessels, as components/ accessories thereof. Without prejudice to the above, the welding electrodes are also used for repairs and maintenance of reactor vessels. The period of dispute is October 2013 to July 2014. During this period, the definition of inputs merely requires the goods to be used in the factory of manufacturer to be eligible for Cenvat credit. There is no dispute that these goods are used in the Appellant's factory. Hence, the appellant is eligible for Cenvat Credit on such electrodes. In this regard, he relies on the following decisions :

- (i) ACC Cement v. CCE, Pune-II, 2018 (361) E.L.T. 343 (Bom) ;
- (ii) Merino Industries Ltd. v. CCE, Noida, 2021 (378) E.L.T. 335 (Tri. - All.) ;

(iii) **Vedanta Limited v. CCE, Cus. & ST, Rourkela (Vice-Versa), 2025 (11) TMI 596 – CESTAT Kolkata ;**

(iv) Super Smelters Ltd. (Unit-III) v. CCE & ST, Bolpur – 2025 (9) TMI 478 – CESTAT Kolkata

3.3 In so far as the components, parts and accessories for capital goods [oil seal, belt drive, rubber of cleaning idlers, castable refractory, conveyor belt, rubber lagging, liner of chute hopper, brush for coupling RB], are concerned, the Id.Counsel for the appellant submits that the appellant availed Cenvat credit on the underlying capital goods, which were components, spares and accessories of various capital goods classifiable under Chapter 84 of the Central Excise Tariff Act which are used in the activity of manufacturing Calcined Alumina by the Appellant. Hence, the Appellant categorized them as 'capital goods' in accordance with Rule 2(a)(iii) of CCR, 2004. The issue regarding eligibility of Cenvat Credit on the above described underlying capital goods is no longer res integra. To support his contention, he relies on the following decisions

- (i) Gestamp Sungwoo Automotive (Chennai) P. Ltd. v. CCE, Chennai, IV, 2018 (363) E.L.T. 1191 (Tri. - Chennai)
- (ii) Jai Balaji Industries Ltd. (Unit IV) v. CCE, Bolpur, 2024 (388) E.L.T. 227 (Tri. - Kolkata).

He further submits that Circular No.943/4/2011 dated 29.04.2011 clarifies that credit of all goods used in the factory is allowed except where such goods have "no relationship whatsoever with the manufacture of a final product". Such expression does not include any goods used in or in relation to the manufacture of final products whether directly or indirectly and whether contained in the final

product or not. As regards their tariff classification of such goods, on careful perusal of clause (iii) to Rule 2(a) of the CCR, 2004, it becomes clear that for components, accessories and spares to fall under the definition of 'capital goods', need not specifically fall under any particular Chapter of the Central Excise Tariff Act. Once it is undisputed that the goods qualify as components, accessories and spares of capital goods, then would fall under Rule 2(a) irrespective of their own tariff classification. In this regard, Circular no. 276/11/96-TRU dated 02.12.1996 clarified that all parts, components, accessories, which are to be used with capital goods of clauses (a) to (c) of Explanation (1) of Rule 57Q and classifiable under any chapter heading are eligible for availment of Modvat credit. Such clarification is squarely applicable to the CCR, 2004 as well. To support his contention, he relies on the following decisions :

- (i) Sundaram Fastners Ltd. v. CCE, Pudhucherry, 2025 (3) TMI 841 – CESTAT Chennai
- (ii) Manglam Cement Ltd. v. C.C.E., Jaipur-I, 2018 (360) E.L.T. 737 (Tri. - LB)
- (iii) Steel Authority of India Ltd. v. CCE, Birbhum (W.B.), 2024 (9) TMI 107 – CESTAT Kolkata (supra)

Without prejudice, basis the aforementioned explanation, such goods are used in the factory of manufacture of final excisable goods in relation to such manufacture. Hence, even if they do not qualify as 'capital goods', cenvat credit can be availed on them as 'inputs'. This is because, the term 'input' has a wide coverage and practically includes

all goods used in the manufacture of final products. In this regard, reliance is placed on the following :

- (i) Hindustan Zinc v. CCE, Jaipur, (2023) 10 Centax 118 (Raj.)
- (ii) Hindustan Zinc v. CCE, Jaipur, 2008 (228) ELT 517 (Raj.)
- (iii) Steel Authority of India Ltd. v. CCE, Birbhum (W.B.), 2024 (9) TMI 107 – CESTAT Kolkata (supra)
- (iv) Zuari Cements Ltd. v. Commr. of CT, Tirupati, 2023 SCC On Line CESTAT 4302.

In such case, the appellant would be eligible to the entire Cenvat Credit in the first year itself. As against such eligibility, the Appellant availed 50% credit on such goods in the first year, and 50% subsequently. This has resulted in delayed availment of Cenvat credit for the Appellant only, and there is no loss to the exchequer.

3.4 In respect of Filter Cloth, he submits that the filter cloth/ disc filter cloth is used by the Appellant to filter intermediate products during the activity of manufacturing Calcined Alumina. It used to separate slurry particles from red mud cake or coarse particles and acts like a membrane to pass only fine particles of slurry. Basis the aforementioned explanation on the nexus of such inputs with the manufacturing activity, the underlying Order-in-Original has rightly set aside the denial of Cenvat Credit on filter cloth. However, the Ld. Additional Commissioner erred while computing the amount of credit attributable to filter cloth which was so eligible to the appellant. On perusal of the of the Appeal Paperbook, it becomes evident that the demand to the extent of Rs. 9,09,495/- pertains to filter cloth and ought to be set aside on this ground alone. The Order-in-Original as

well as the Order-in-Appeal appear to inadvertently missed to exclude these items while quantifying the demand.

3.5 Finally, he submits that the impugned order is not sustainable and accordingly, the same is required to be set aside.

4. The Id.A.R. for the Revenue reiterated the findings of the impugned order.

5. Heard both the parties and considered the submissions.

6. 6. The short issue involved in this matter is that whether the appellant is entitled to take cenvat credit on various inputs, namely, scrappers, welding electrodes, electrodexuper and electrodesettelite and the capital goods, like, includedoil, seal, belt drive, rubber of cleaning idlers, castable refractory, conveyor belt, rubber lagging, liner of chute hopper, brush for coupling RB etc., as input or capital goods or not ?

7. We find that the appellant's own case, this Tribunal has allowed the cenvat credit on welding electrodes. Therefore, the said issue is no more res integra. Moreover, the appellant has explained the uses of the items for process of manufacturing. In that circumstances, the appellant has been able to show that all the items are used by them for manufacturing of their final product. Therefore, we hold that the appellants are entitled to take the cenvat credit on all these items either on capital goods or on inputs in terms of Rule 2(a) and 2 (k) of the Cenvat Credit Rules, 2004.

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8. In view of this, we hold that the appellant is entitled to take the cenvat credit on the items in question. Therefore, we set aside the impugned order and allow the appeal with consequential relief, if any.

(Operative part of the order was pronounced in the open court)

(Ashok Jindal)
Member (Judicial)

(K.Anpazhakan)
Member (Technical)

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