



:: आयुक्त (अपील्स) का कार्यालय, वस्तु एवं सेवा कर और केन्द्रीय उत्पाद शुल्क ::
O/O THE COMMISSIONER (APPEALS), GST & CENTRAL EXCISE,

द्वितीय तल, जी एस टी भवन / 2nd Floor, GST Bhavan,
रेस कोर्स रिंग रोड, / Race Course Ring Road,
राजकोट / Rajkot - 360 001



सत्यमेव जयते

Tele Fax No. 0281 - 2477952/2441142 Email: commrappl3-cexamd@nic.in

रजिस्टर्ड डाक ए.डी. द्वारा :-

DIN-20220664SX0000815717

क	अपील / फाइल संख्या/ Appeal / File No.	मूल आदेश सं / OIONo.	दिनांक/ Date
	V2/191/RAJ/2021	19/BB/AC/2020-21	10-03-2021

ख अपील आदेश संख्या (Order-In-Appeal No.):

RAJ-EXCUS-000-APP-115-2022

आदेश का दिनांक / Date of Order:	08.06.2022	जारी करने की तारीख / Date of issue:	09.06.2022
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श्री अखिलेश कुमार, आयुक्त (अपील्स), राजकोट द्वारा पारित/
Passed by Shri Akhilesh Kumar, Commissioner (Appeals), Rajkot.

ग अपर आयुक्त/ संयुक्त आयुक्त/ उपायुक्त/ सहायक आयुक्त, केन्द्रीय उत्पाद शुल्क/ सेवाकर/ वस्तु एवं सेवाकर,
राजकोट / जामनगर / गांधीधामा द्वारा उपरलिखित जारी मूल आदेश से सृजित: /
Arising out of above mentioned OIO issued by Additional/Joint/Deputy/Assistant Commissioner, Central
Excise/ST / GST, Rajkot / Jamnagar / Gandhidham :

घ अपीलकर्ता/प्रतिवादी का नाम एवं पता / Name & Address of the Appellant & Respondent :-

**M/s Hilltop Ceramic, 8-A National Highway, Sartanpur Near 20 Nala (Dhuva), Tal.-Wankaner
Distt.- Morbi - 363 622**

इस आदेश (अपील) से अग्रिम कोई व्यक्ति निम्नलिखित तरीके में उपयुक्त प्राधिकारी / प्राधिकरण के समक्ष अपील दायर कर सकता है।/
Any person aggrieved by this Order-in-Appeal may file an appeal to the appropriate authority in the following
way.

(A) सीमा शुल्क, केन्द्रीय उत्पाद शुल्क एवं सेवाकर अपीलीय न्यायाधिकरण के प्रति अपील, केन्द्रीय उत्पाद शुल्क अधिनियम, 1944 की धारा 35B के
अंतर्गत एवं वित्त अधिनियम, 1994 की धारा 86 के अंतर्गत निम्नलिखित जगह की जा सकती है।/
Appeal to Customs, Excise & Service Tax Appellate Tribunal under Section 35B of CEA, 1944 / Under Section
86 of the Finance Act, 1994 an appeal lies to:-

(i) वर्गीकरण मूल्यांकन से सम्बन्धित सभी मामले सीमा शुल्क, केन्द्रीय उत्पादन शुल्क एवं सेवाकर अपीलीय न्यायाधिकरण की विशेष पीठ, वेस्ट ब्लॉक नं
2, आर.के. पुरम, नई दिल्ली, को की जानी चाहिए।/
The special bench of Customs, Excise & Service Tax Appellate Tribunal of West Block No. 2, R.K. Puram, New
Delhi in all matters relating to classification and valuation.

(ii) उपरोक्त परिच्छेद 1(a) में बताए गए अपीलों के अलावा शेष सभी अपीलों सीमा शुल्क, केन्द्रीय उत्पाद शुल्क एवं सेवाकर अपीलीय न्यायाधिकरण
(सिस्टट) की पश्चिम क्षेत्रीय पीठिका, द्वितीय तल, बहुमाली भवन असावा अहमदाबाद- 380016 को की जानी चाहिए।/
To the West regional bench of Customs, Excise & Service Tax Appellate Tribunal (CESTAT) at, 2nd Floor,
Bhaumali Bhawan, Asarwa Ahmedabad-380016 in case of appeals other than as mentioned in para- 1(a)
above

(iii) अपीलीय न्यायाधिकरण के समक्ष अपील प्रस्तुत करने के लिए केन्द्रीय उत्पाद शुल्क (अपील) नियमावली, 2001, के नियम 6 के अंतर्गत निर्धारित
किए गये प्रपत्र EA-3 को चार प्रतियों में दर्ज किया जाना चाहिए। इनमें से कम से कम एक प्रति के साथ, जहां उत्पाद शुल्क की मांग, ब्याज की मांग
और लगाया गया जुर्माना, रुपये 5 लाख या उससे कम, 5 लाख रुपये या 50 लाख रुपये तक अथवा 50 लाख रुपये से अधिक है तो क्रमशः
1,000/- रुपये, 5,000/- रुपये अथवा 10,000/- रुपये का निर्धारित जमा शुल्क की प्रति संलग्न करें। निर्धारित शुल्क का भुगतान, संबंधित
अपीलीय न्यायाधिकरण की शाखा के सहायक रजिस्ट्रार के नाम से किसी भी सार्वजनिक क्षेत्र के बैंक द्वारा जारी रेखांकित बैंक ड्राफ्ट द्वारा किया जाना
चाहिए। संबंधित ड्राफ्ट का भुगतान, बैंक की उस शाखा में होना चाहिए जहां संबंधित अपीलीय न्यायाधिकरण की शाखा स्थित है। स्थगन आदेश (स्ट
ऑर्डर) के लिए आवेदन-पत्र के साथ 500/- रुपये का निर्धारित शुल्क जमा करना होगा।/
The appeal to the Appellate Tribunal shall be filed in quadruplicate in form EA-3 / as prescribed under Rule
6 of Central Excise (Appeal) Rules, 2001 and shall be accompanied against one which at least should be
accompanied by a fee of Rs. 1,000/-, Rs.5000/-, Rs.10,000/- where amount of duty
demand/interest/penalty/refund is upto 5 Lac., 5 Lac to 50 Lac and above 50 Lac respectively in the form of
crossed bank draft in favour of Asst. Registrar of branch of any nominated public sector bank of the place
where the bench of any nominated public sector bank of the place where the bench of the Tribunal is
situated. Application made for grant of stay shall be accompanied by a fee of Rs. 500/-.

(B) अपीलीय न्यायाधिकरण के समक्ष अपील, वित्त अधिनियम, 1994 की धारा 86(1) के अंतर्गत सेवाकर नियमावली, 1994, के नियम 9(1) के तहत
निर्धारित प्रपत्र S.T.-5 में चार प्रतियों में की जा सकती है एवं उसके साथ जिस आदेश के विरुद्ध अपील की गयी हो, उसकी प्रति साथ में संलग्न करें (उनमें
से एक प्रति प्रमाणित होनी चाहिए) और इनमें से कम से कम एक प्रति के साथ, जहां सेवाकर की मांग, ब्याज की मांग और लगाया गया जुर्माना, रुपये
5 लाख या उससे कम, 5 लाख रुपये या 50 लाख रुपये तक अथवा 50 लाख रुपये से अधिक है तो क्रमशः 1,000/- रुपये, 5,000/- रुपये
अथवा 10,000/- रुपये का निर्धारित जमा शुल्क की प्रति संलग्न करें। निर्धारित शुल्क का भुगतान, संबंधित अपीलीय न्यायाधिकरण की शाखा के
सहायक रजिस्ट्रार के नाम से किसी भी सार्वजनिक क्षेत्र के बैंक द्वारा जारी रेखांकित बैंक ड्राफ्ट द्वारा किया जाना चाहिए। संबंधित ड्राफ्ट का भुगतान,
बैंक की उस शाखा में होना चाहिए जहां संबंधित अपीलीय न्यायाधिकरण की शाखा स्थित है। स्थगन आदेश (स्ट ऑर्डर) के लिए आवेदन-पत्र के साथ
500/- रुपये का निर्धारित शुल्क जमा करना होगा।/
The appeal under sub section (1) of Section 86 of the Finance Act, 1994, to the Appellate Tribunal Shall be
filed in quadruplicate in Form S.T.5 as prescribed under Rule 9(1) of the Service Tax Rules, 1994, and shall
be accompanied by a copy of the order appealed against (one of which shall be certified copy) and should be
accompanied by a fee of Rs. 1,000/- where the amount of service tax & interest demanded & penalty levied
of Rs. 5 Lakhs or less, Rs.5000/- where the amount of service tax & interest demanded & penalty levied is
more than five lakhs but not exceeding Rs. Fifty Lakhs, Rs.10,000/- where the amount of service tax &
interest demanded & penalty levied is more than fifty Lakhs rupees, in the form of crossed bank draft in
favour of the Assistant Registrar of the bench of nominated Public Sector Bank of the place where the bench
of Tribunal is situated. / Application made for grant of stay shall be accompanied by a fee of Rs.500/-.



- (ii) वित्त अधिनियम, 1994 की धारा 86 की उप-धाराओं (2) एवं (2A) के अंतर्गत दर्ज की गयी अपील, सेवाकर नियमवली, 1994, के नियम 9(2) एवं 9(2A) के तहत निर्धारित प्रपत्र S.T.-7 में की जा सकती एवं उसके साथ आयुक्त, केन्द्रीय उत्पाद शुल्क अथवा आयुक्त (अपील), केन्द्रीय उत्पाद शुल्क द्वारा पारित आदेश की प्रतियाँ संलग्न करें (उनमें से एक प्रति प्रामाणित होनी चाहिए) और आयुक्त द्वारा सहायक आयुक्त अथवा उपायुक्त, केन्द्रीय उत्पाद शुल्क/ सेवाकर, को अपीलीय न्यायाधिकरण को आवेदन दर्ज करने का निर्देश देने वाले आदेश की प्रति भी साथ में संलग्न करनी होगी। / The appeal under sub section (2) and (2A) of the section 86 the Finance Act 1994, shall be filed in Form ST.7 as prescribed under Rule 9 (2) & 9(2A) of the Service Tax Rules, 1994 and shall be accompanied by a copy of order of Commissioner Central Excise or Commissioner, Central Excise (Appeals) (one of which shall be a certified copy) and copy of the order passed by the Commissioner authorizing the Assistant Commissioner or Deputy Commissioner of Central Excise/ Service Tax to file the appeal before the Appellate Tribunal.
- (iii) सीमा शुल्क, केन्द्रीय उत्पाद शुल्क एवं सेवाकर अपीलीय प्राधिकरण (सेस्टेट) के प्रति अपीलों के मामले में केन्द्रीय उत्पाद शुल्क अधिनियम 1944 की धारा 35एफ के अंतर्गत, जो की वित्तीय अधिनियम, 1994 की धारा 83 के अंतर्गत सेवाकर को भी लागू की गई है, इस आदेश के प्रति अपीलीय प्राधिकरण में अपील करते समय उत्पाद शुल्क/सेवा कर मांग के 10 प्रतिशत (10%), जब मांग एवं जुर्माना विवादित है, या जुर्माना, जब केवल जुर्माना विवादित है, का भुगतान किया जाए, बशर्ते कि इस धारा के अंतर्गत जमा कि जाने वाली अपेक्षित देय राशि दस करोड़ रुपये से अधिक न हो।
केन्द्रीय उत्पाद शुल्क एवं सेवाकर के अंतर्गत "मांग किए गए शुल्क" में निम्न शामिल है
(i) धारा 11 की के अंतर्गत रकम
(ii) सेनबेट जमा की ली गई गलत राशि
(iii) सेनबेट जमा नियमावली के नियम 6 के अंतर्गत देय रकम
- बशर्ते यह कि इस धारा के प्रावधान वित्तीय (सं 2) अधिनियम 2014 के अंश से पूर्व किसी अपीलीय प्राधिकारी के समक्ष विचाराधीन स्थान नहीं एवं अपील को लागू नहीं होगा।
For an appeal to be filed before the CESTAT, under Section 35F of the Central Excise Act, 1944 which is also made applicable to Service Tax under Section 83 of the Finance Act, 1994, an appeal against this order shall lie before the Tribunal on payment of 10% of the duty demanded where duty or duty and penalty are in dispute, or penalty, where penalty alone is in dispute, provided the amount of pre-deposit payable would be subject to a ceiling of Rs. 10 Crores,
Under Central Excise and Service Tax, "Duty Demanded" shall include :
(i) amount determined under Section 11 D;
(ii) amount of erroneous Cenvat Credit taken;
(iii) amount payable under Rule 6 of the Cenvat Credit Rules
- provided further that the provisions of this Section shall not apply to the stay application and appeals pending before any appellate authority prior to the commencement of the Finance (No.2) Act, 2014.
- (C) भारत सरकार को पुनरीक्षण आवेदन :
Revision application to Government of India:
इस आदेश की पुनरीक्षणयाचिका निम्नलिखित मामलों में, केन्द्रीय उत्पाद शुल्क अधिनियम, 1994 की धारा 35EE के प्रथमपूरतुक के अंतर्गत अवर सचिव, भारत सरकार, पुनरीक्षण आवेदन इकाई, वित्त मंत्रालय, राजस्व विभाग, चौथी मंजिल, जीवन दीप भवन, संसद मार्ग, नई दिल्ली-110001, को किया जाना चाहिए। / A revision application lies to the Under Secretary, to the Government of India, Revision Application Unit, Ministry of Finance, Department of Revenue, 4th Floor, Jeevan Deep Building, Parliament Street, New Delhi-110001, under Section 35EE of the CEA 1944 in respect of the following case, governed by first proviso to sub-section (1) of Section-35B ibid:
(i) यदि माल के किसी नुकसान के मामले में, जहां नुकसान किसी माल को किसी कारखाने से भंडार गृह के पारगमन के दौरान या किसी अन्य कारखाने या फिर किसी एक भंडार गृह से दूसरे भंडार गृह पारगमन के दौरान, या किसी भंडार गृह में या भंडारण में माल के प्रसंस्करण के दौरान, किसी कारखाने या किसी भंडार गृह में माल के नुकसान के मामले में। / In case of any loss of goods, where the loss occurs in transit from a factory to a warehouse or to another factory or from one warehouse to another during the course of processing of the goods in a warehouse or in storage whether in a factory or in a warehouse
(ii) भारत के बाहर किसी राष्ट्र या क्षेत्र को निर्यात कर रहे माल के विनिर्माण में प्रयुक्त कच्चे माल पर भरी गई केन्द्रीय उत्पाद शुल्क के छूट (रिबेट) के मामले में, जो भारत के बाहर किसी राष्ट्र या क्षेत्र को निर्यात की गयी है। / In case of rebate of duty of excise on goods exported to any country or territory outside India of on excisable material used in the manufacture of the goods which are exported to any country or territory outside India.
(iii) यदि उत्पाद शुल्क का भुगतान किए बिना भारत के बाहर, नेपाल या भूटान को माल निर्यात किया गया है। / In case of goods exported outside India export to Nepal or Bhutan, without payment of duty.
(iv) मुनिमित उत्पाद के उत्पादन शुल्क के भुगतान के लिए जो क्यूटी केबीटी इस अधिनियम एवं इसके विभिन्न प्रावधानों के तहत मान्य की गई है और ऐसे आदेश जो आयुक्त (अपील) के द्वारा वित्त अधिनियम (नं 2), 1998 की धारा 109 के द्वारा नियत की गई तारीख अथवा समयावधि पर या बाद में पारित किए गए हैं। / Credit of any duty allowed to be utilized towards payment of excise duty on final products under the provisions of this Act or the Rules made there under such order is passed by the Commissioner (Appeals) on or after, the date appointed under Sec. 109 of the Finance (No.2) Act, 1998.
(v) उपरोक्त आवेदन की दो प्रतियाँ प्रपत्र संख्या EA-8 में, जो की केन्द्रीय उत्पाद शुल्क (अपील) नियमावली, 2001, के नियम 9 के अंतर्गत विनिर्दिष्ट है, इस आदेश के संश्लेष के 3 माह के अंतर्गत की जानी चाहिए। उपरोक्त आवेदन के साथ मूल आदेश व अपील आदेश की दो प्रतियाँ संलग्न की जानी चाहिए। साथ ही केन्द्रीय उत्पाद शुल्क अधिनियम, 1944 की धारा 35-EE के तहत निर्धारित शुल्क की अदायगी के साक्ष्य के तौर पर TR-6 की प्रति संलग्न की जानी चाहिए। / The above application shall be made in duplicate in Form No. EA-8 as specified under Rule, 9 of Central Excise (Appeals) Rules, 2001 within 3 months from the date on which the order sought to be appealed against is communicated and shall be accompanied by two copies each of the OIO and Order-in-Appeal. It should also be accompanied by a copy of TR-6 Challan evidencing payment of prescribed fee as prescribed under Section 35-EE of CEA, 1944, under Major Head of Account.
(vi) पुनरीक्षण आवेदन के साथ निम्नलिखित निर्धारित शुल्क की अदायगी की जानी चाहिए। / जहाँ संलग्न रकम एक लाख रुपये या उससे कम हो तो रुपये 200/- का भुगतान किया जाए और यदि संलग्न रकम एक लाख रुपये से ज्यादा हो तो रुपये 1000 -/ का भुगतान किया जाए। / The revision application shall be accompanied by a fee of Rs. 200/- where the amount involved in Rupees One Lac or less and Rs. 1000/- where the amount involved is more than Rupees One Lac.
(D) यदि इस आदेश में कई मूल आदेशों का समावेश है तो प्रत्येक मूल आदेश के लिए शुल्क का भुगतान, उपर्युक्त ढंग से किया जाना चाहिए। इस तथ्य के होते हुए भी की लिखा पत्री कार्य से बचने के लिए क्यास्विति अपीलीय न्यायाधिकरण को एक अपील या केन्द्रीय सरकार को एक आवेदन किया जाता है। / In case, if the order covers various numbers of order- in Original, fee for each O.I.O. should be paid in the aforesaid manner, not withstanding the fact that the one appeal to the Appellate Tribunal or the one application to the Central Govt. As the case may be, is filled to avoid scriptoria work if excising Rs. 1 lakh fee of Rs. 100/- for each.
(E) वधासंशोधित न्यायालय शुल्क अधिनियम, 1975, के अनुसूची-I के अनुसार मूल आदेश एवं स्थान आदेश की प्रति पर निर्धारित 6.50 रुपये का न्यायालय शुल्क टिकट जमा होना चाहिए। / One copy of application or O.I.O. as the case may be, and the order of the adjudicating authority shall bear a court fee stamp of Rs.6.50 as prescribed under Schedule-I in terms of the Court Fee Act, 1975, as amended.
(F) सीमा शुल्क, केन्द्रीय उत्पाद शुल्क एवं सेवाकर अपीलीय न्यायाधिकरण (कार्य विधि) नियमावली, 1982 में वर्णित एवं अन्य संबन्धित मामलों को सम्मिलित करने वाले नियमों की और भी ध्यान आकर्षित किया जाता है। / Attention is also invited to the rules covering these and other related matters contained in the Customs, Excise and Service Appellate Tribunal (Procedure) Rules, 1982.
(G) उच्च अपीलीय प्राधिकारी को अपील दाखिल करने से संबंधित व्यापक, विस्तृत और नवीनतम प्रावधानों के लिए, अपीलार्थी विभागीय वेबसाइट www.cbec.gov.in को देख सकते हैं। / For the elaborate, detailed and latest provisions relating to filing of appeal to the higher appellate authority, the appellant may refer to the Departmental website www.cbec.gov.in



transaction was routed from buyers of goods to Tile manufacturers through Shroffs and Brokers.

2.2 During scrutiny of documents seized from the premises of M/s K.N. Brothers, Rajkot and M/s Maruti Enterprise, Rajkot, both Shroffs and Shri Thakarshi Premji Kasundra, Broker, it was revealed that the said Shroffs had received total amount of Rs. 2,22,17,060/- in their bank accounts during the period from November, 2014 to December, 2015, which were passed on to Appellant in cash through Shri Thakarshi Premji Kasundra, Broker. The said amount was alleged to be sale proceeds of goods removed clandestinely by the Appellant.

3. Show Cause Notice No. DGGI/AZU/Gr-D/36-54/2019-20 dated 04.11.2019 was issued to the Appellant calling them to show cause as to why Central Excise duty amounting to Rs.27,67,358/- should not be demanded and recovered from them under proviso to Section 11A(4) of the erstwhile Central Excise Act, 1944 (*hereinafter referred to as "Act"*) along with interest under Section 11AA of the Act and also proposing imposition of penalty under Section 11AC of the Act and fine in lieu of confiscation under Section 34 of the Act. The Show Cause Notice also proposed imposition of penalty upon Shri Hiteshkumar Narbheram Patel and Shri Yogeshkumar Balubhai Patel, both Partners of the Appellant, under Rule 26(1) of the Central Excise Rules, 2002 (*hereinafter referred to as "Rules"*).

3.1 The above said Show Cause Notice was adjudicated vide the impugned order wherein the demand of Central Excise duty amounting to Rs. 27,67,358/- was confirmed under Section 11A(4) along with interest under Section 11AA of the Act. The impugned order imposed penalty of Rs. 27,67,358/- under Section 11AC of the Act upon the Appellant with option of reduced penalty as envisaged under provisions of Section 11AC of the Act. The impugned order did not impose penalty upon Shri Hiteshkumar Narbheram Patel and Shri Yogeshkumar Balubhai Patel.

4. Being aggrieved with the impugned order, the Appellant has preferred appeal on various grounds, *inter alia*, as below:-

- (i) The adjudicating authority has relied upon Statements of Shroffs, Middleman/Broker and Partners while confirming the demand raised in the show cause notice. However, the adjudicating authority has passed the order without allowing cross examination of Departmental witnesses in spite of specific request made for the same. It is settled position of law that any statement recorded under Section 14 of the



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Central Excise Act, 1944 can be admitted as evidence only when its authenticity is established under provisions of Section 9D(1) of the Act and relied upon following case laws:

- (a) J.K. Cigarettes Ltd. Vs. CCE - 2009 (242) ELT 189 (Del).
- (b) M/s Jindal Drugs Pvt Ltd - 2016 (340) E.L.T. 67 (P & H)
- (c) Ambika International - 2018 (361) E.L.T. 90 (P & H)
- (d) G-Tech Industries - 2016 (339) E.L.T. 209 (P & H)
- (e) Andaman Timber Industries -2015-TIOL-255-SC-CX
- (f) Parmarth Iron Pvt. Ltd - 2010 (255) E.L.T. 496 (All.)

(ii) In view of the provisions of Section 9D of the Central Excise Act, 1944 and settled position of law by way of above referred judgments, since cross examination of departmental witnesses were not allowed their statements cannot be relied upon while passing the order and determining the duty amount payable by it. Especially when, there is no other evidence except so called oral evidences in the form of those statements and un-authenticated third party private records. Therefore, in view of the above, impugned order passed by the learned Assistant Commissioner is liable to be set aside on this ground too.

(iii) That root cause of investigation which lead to demand of Central Excise duty viz. Bank Statements of various bank accounts referred in Statement dated 23.12.2015 of Shri Lalit Ashumal Gangawani, Actual Owner of M/s. K. N. Brothers, Rajkot, and also other bank accounts referred in Annexure - A to the SCN are neither supplied with SCN nor relied upon for demanding the duty. The same are neither seized from the premises of M/s. K. N. Brother nor produced by any of the person viz. owner of M/s K.N. Brother during recording of their statements. When the source of the amount received by the Shroff is not relied upon, how documents of middleman/broker can be relied upon? Certainly, same cannot be relied upon as Annexure - A is said to have been prepared on the basis of said two documents viz. Bank Statements of Shroff based at Rajkot and Daily Sheets maintained by the middlemen/brokers of Morbi. In absence of relying upon proof of receipt of fund by Shroff, it cannot be presumed that middlemen/brokers had received the funds which were distributed to tile manufacturer.



(iv)

That the adjudicating authority based on the scan copy of certain bank accounts of Shroff and scan copy of private records of middleman/broker and general statements of Shroff and middleman/

broker tried to discard vital discrepancies raised by the appellant without any cogent grounds. There is no link between the bank accounts of Shroff and private records of middleman/broker. Therefore, in absence of receipt of cash by the Shroff, link of such payment to middleman/broker and payment of cash to appellant, it is erroneous to uphold the allegations against appellant. He not only failed to judge the allegations, documentary evidences and defence neutrally but also failed as quasi-judicial authority and following principal of natural justice by passing speaking order as well as following judicial discipline too. Therefore, impugned order passed by him is liable to be set aside on this ground too.

- (v) That the investigation has prepared Annexure - A to the SCN based on the private records of Shri Thakarshi Premji Kasundra i.e. loose papers wherein wherever "H2O2" is written are considered as entries of appellant. The investigation has relied upon statement of Shri Thakarshi Premji Kasundra wherein he stated that 'Hitesh' was coming for collecting the case on behalf of 'Hilltop Ceramic'. It is surprising that how a 70 years old man can give such details i.e. name of 24 tile manufacturers and 24 persons coming to him with 24 code names? Actually investigation has put names, codes etc in his mouth so as to fabricate the case against the tile manufacturers.
- (vi) That the adjudicating authority has not neutrally evaluated the evidences as well as submission made by it but heavily relied upon the general statements of Shroff, Middleman/Broker, scan copy of private records of K. N. Brothers, and Shri Thakarshi Kasundra, broker reproduced in the SCN. He has not seen that Shri Jagdish G. Patel, Partner of Appellant, has filed affidavit dated 2.7.2020 to the effect that they had manufactured and cleared goods under invoices and on payment of duty of excise; that they have not received any cash as mentioned in SCN from any person.
- (vii) That in the entire case except for so called evidences of receipt of money from the buyers of tiles that too without identity of buyers of the goods as well as identity of receiver of such cash from the middleman, no other evidence of manufacture of tiles, procurement of raw materials including fuel and power for manufacture of tiles, deployment of staff, manufacture, transportation of raw materials as well as finished goods, payment to all including raw material suppliers,



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transporters etc. in cash, no inculpatory statement of manufacturer viz. appellant, no statement of any of buyer, no statement of transporters who transported raw materials, who transported finished goods etc. are relied upon or even available. It is settled position of law that in absence of such evidences, grave allegations clandestine removal cannot sustain. It is also settled position of law that grave allegation of clandestine removal cannot sustain on the basis of assumption and presumption and relied upon following case laws:

- (a) Synergy Steels Ltd.- 2020 (372) ELT 129 (Tri. - Del.)
- (b) Savitri Concast Ltd. - 2015 (329) ELT 213 (Tri. - Del.)
- (c) Aswani & Co. - 2015 (327) ELT 81 (Tri. - Del.)
- (d) Shiv Prasad Mills Pvt. Ltd. - 2015 (329) ELT 250 (Tri. - Del.)
- (e) Shree Maruti Fabrics - 2014 (311) ELT 345 (Tri. - Ahmd.)

- (viii) That it is not a matter of dispute that Tiles were notified at Sr. No. 58 and 59 under Notification No. 49/2008-C.E.(N.T.) dated 24.12.2008 as amended issued under Section 4A of the Central Excise Act, 1944. Accordingly, as provided under Section 4A ibid duty of excise was payable on the retail sale price declared on the goods less permissible abatement @ 45%. Thus, duty of excise was payable @ 12.36% (upto 28.02.2015) and @ 12.50% with effect from 01.03.2015 on the 55% of retail sale price (RSP/MRP) declared on the goods/packages. That the investigation has nowhere made any attempt to find out actual quantity of tiles manufactured and cleared clandestinely. No attempt was made to know whether goods were cleared with declaration of RSP/MRP or without declaration of RSP/MRP on the goods/packages. There is no evidence adduced in the impugned show cause notice about any case booked by the metrology department of various states across India against appellant or other tile manufacturers that goods were sold by it without declaring RSP/MRP. Though there is no evidence of manufacture and clearance of goods that too without declaration of RSP/MRP it is not only alleged but also duty is assessed considering the so called alleged realised value as abated value without any legal backing. Neither Section 4A ibid nor rules made there under provides like that to assess duty by taking realised value or transaction value as abated value and the investigation has failed to follow the said provisions. Therefore, sake of argument it is presumed that if RSP/MRP was not declared on packages then also it has to be determined in the prescribed manner i.e. as per Section 4A(4) read with Rule 4(i) of Central Excise (Determination of Retail Sale Price of Excisable Goods) Rules, 2008 and not by any other manner. As per the said provisions, highest of the RSP/MRP declared on the goods during



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the previous or succeeding months is to be taken for the purpose of assessment and in absence of other details of quantity etc. such realised value duty cannot be quantified. In any case duty has to be calculated after allowing abatement @ 45%.

- (ix) That all the allegations are baseless and totally unsubstantiated, therefore, question of alleged suppression of facts etc. also does not arise. None of the situation suppression of facts, wilful mis-statement, fraud, collusion etc. as stated in Section 11A(4) of the Central Excise Act, 1944 exists in the instant case but it is alleged suppression of facts in the impugned notice based on the above referred general allegation.

4. Personal Hearing in the matter was scheduled on 20.05.2022. Shri P.D. Rachchh, Advocate, appeared on behalf of the Appellant. He reiterated the submissions made in appeal memorandum as well as in synopsis submitted during hearing.

5. I have carefully gone through the facts of the case, the impugned order, the appeal memorandum and written as well as oral submissions made by the Appellant. The issue to be decided is whether the impugned order, in the facts of this case, confirming demand on the appellant is correct, legal and proper or not.

6. On perusal of records, I find that an offence case was booked by the officers of Directorate General of Central Excise Intelligence, Ahmedabad against Appellant for clandestine removal of goods. Simultaneous searches carried out at the premises of Shroff / Brokers / Middlemen situated in Rajkot and Morbi resulted in recovery of various incriminating documents indicating huge amount of cash transactions. On the basis of investigation carried out by the DGCEI, it was alleged that various Tile manufacturers of Morbi were indulged in malpractices in connivance with Shroffs / Brokers and thereby engaged in large scale evasion of Central Excise duty. During investigation, it was revealed by the investigating officers that the Tile manufacturers sold goods without payment of duty and collected sale proceeds from their buyers in cash through said Shroff/Brokers/ middlemen. As per the *modus operandi* unearthed by the DGCEI, the Tile manufacturers passed on the bank account details of the Shroffs to their buyers with instructions to deposit the cash in respect of the goods sold to them without bills into these accounts. After depositing the cash, the buyers used to inform the Tile manufacturers, who in turn would inform the Brokers or directly to the Shroffs. Details of such cash deposit along with the copies of pay-



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in-slips were communicated to the Tile manufacturers by the Customers. The Shroffs on confirming the receipt of the cash in their bank accounts, passed on the cash to the Brokers after deducting their commission from it. The Brokers further handed over the cash to the Tile manufacturers after deducting their commission. This way the sale proceeds was allegedly routed through Shroffs/Brokers/ middlemen.

7. I find from the case records that the DGCEI had covered 4 Shroffs and 4 brokers/middlemen during investigation, which revealed that 186 manufacturers were routing sale proceeds of illicit transactions from the said Shroffs/Brokers/Middlemen. I find that the DGCEI has, *inter alia*, relied upon evidences collected from the premises of M/s K.N. Brothers, Rajkot and M/s Maruti Enterprise, Rajkot, both Shroffs, and Shri Thakarshi Premji Kasundra, Morbi, Broker, to allege clandestine removal of goods by the Appellants herein. It is settled position of law that in the case involving clandestine removal of goods, initial burden of proof is on the Department to prove the charges. Hence, it would be pertinent to examine the said evidences gathered by the DGCEI and relied upon by the adjudicating authority in the impugned order to confirm the demand of Central Excise duty.

7.1. I find that during search carried out at the office premises of M/s K.N. Brothers, Rajkot, Shroff, on 22.12.2015, certain private records were seized. The said private records contained bank statements of various bank accounts operated by M/s K.N. Brothers, sample of which is reproduced in the Show Cause Notice. I find that the said bank statements contained details like particulars, deposit amount, initiating branch code etc. Further, it was mentioned in handwritten form the name of city from where the amount was deposited and code name of concerned middlemen/Broker to whom they had handed over the said cash amount.

7.2. I have gone through the Statement of Shri Lalit Ashumal Gangwani, Owner of M/s K.N. Brothers, Rajkot recorded on 23.12.2015 under Section 14 of the Act. In the said statement, Shri Lalit Ashumal Gangwani, *inter alia*, deposed that,

“Q.5 Please give details about your work in M/s Ambaji Enterprise, Rajkot and M/s K.N. Brothers. Rajkot.

A.5. ... We have opened the above mentioned 9 bank accounts and give the details of these accounts to the Middlemen located in Morbi. These middle men are working on behalf of Tile Manufacturers located in Morbi. These Middlemen then gives our Bank details to the Tiles Manufacturers of Morbi



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who in turn further passes these details to their Tiles dealers located all over India. The Tiles dealers then deposit cash in these accounts as per the instruction of the ceramic Tiles Manufacturers who in turn inform the Middlemen. The Middlemen then inform us about the cash deposited and the name of the city from where the amount has been deposited. We check all our bank accounts through online banking system on the computer installed in our office and take out the printout of the cash amount deposited during the entire day in all the accounts and mark the details on the printouts. On the same day, latest by 15:30 hours, we do RTGS to either M/s Siddhanath Agency and or to M/s Radheyshyam Enterprises in Sakar Complex, Soni Bazar, Rajkot. In lieu of the RTGS, M/s Siddhanath Agency and or to M/s Radheyshyam Agency gives the cash amount. The said cash is then distributed to concern Middlemen.

Q.6: Please give details of persons who had deposited the amount in your firms.

A.6. We are not aware of any persons who had deposited the cash amount in our bank accounts, the ceramic Tile Manufacturers direct the said parties to deposit the amount in cash in these accounts. As already stated above, we had given our bank accounts details to the middle man who had in turn given these numbers to the Tile Manufacturers.”

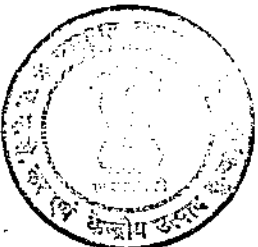
7.3 I have gone through the Statement of Shri Nitinbhai Arjanbhai Chikani, actual owner of M/s Maruti Enterprise, Rajkot, recorded on 24.12.2015 under Section 14 of the Act. In the said statement, Shri Nitinbhai Arjanbhai Chikani, *inter alia*, deposed that,

“Q.5 Please give the details about your work in M/s Maruti Enterprise, Plot no. 33, Udaynagar street-1, Mavdi main Road, Rajkot, M/s India Enterprise, Plot No. 33, Udaynagar street-1, Mavdi main road, Rajkot and M/s MARUTI Enterprise, Office No. 110, Haridarshan Arcade, 150 Ft. Ring Road, Rajkot.

A.5 Though, I am not the owner of the above mentioned firms but I looked after all the work of M/s Maruti Enterprises (now closed), M/s India enterprise and M/s MARUTI enterprise with the help of staff. Basically, our work is to receive the cash amount in our 9 bank accounts of the aforesaid firms.

These Bank accounts were opened during the period from March 2015 to June 2015. All the bank accounts of M/s Maruti Enterprise were closed on December 2015 except one account of Bank of India.

We have opened the above mentioned 9 bank accounts and gave the details of these accounts to the middleman located in Morbi. The middleman are working on behalf of tile manufacturers located in Morbi. These middleman then gives our bank details to the tiles manufacturer of Morbi who in turn further passes these details to their tiles dealers located all over India.



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The tile dealers then deposits cash in these accounts as per the instructions of the ceramic tile manufacturers who in turn inform the middleman. The middle man then inform us about the cash deposited and the name of the city from where the amount has been deposited. We check all our bank accounts through 'online banking' systems on the computer installed in our office and take out the printout of the cash amount deposited during the entire day in all the accounts and mark the details on the printouts. On the same day latest by 15:30 hrs, we do RTGS to M/s Siddhanth Agency in lieu of the RTGS, M/s Siddhanath Agency gives the cash amount. The said cash is then distributed to concern middleman.

Q.6 Please give the details of persons who had deposited the amount in your firms namely M/s Maruti Enterprise, M/s India Enterprise and M/s MARUTI Enterprise ?

A.6 We are not aware of any persons who had deposited the cash amount in our bank accounts. The ceramic tile manufacturers direct the said parties to deposit the amount in cash in these accounts, As already stated above, we had given our bank account details to the middle man who had in turn given these numbers to the tile manufacturers."

7.4 I have gone through the Statements of Shri Thakarshi Premji Kasundra, Morbi, recorded on 24.12.2015 and 28.12.2015 under Section 14 of the Act. In the said statements, Shri Thakarshi Premji Kasundra, *inter alia*, deposed that,

Statement dated 24.12.2015:

"Q.1: Please explain the business activities of M/s. Gayatri Enterprise, Morbi.

A.1: M/s. Gayatri Enterprise, Morbi is running business as a broker since November, 2011. I am handling all the day to day work of the firm including Accounts. My firm is working as a middleman between Shroffs and my clients, who are Ceramic Tile manufacturers/Traders. In this regard, my said clients approach me and inform that their certain amount of money has been deposited by their customers in the accounts of my Shroffs. Accordingly, I approach concerned Shroff to deliver the cash amount to me for subsequent distribution to my clients. For this work, I generally charge Commission @ 0.05% of the amount, so distributed to the concerned Manufacturers/ Traders. I further explain in detail that my Shroffs have given me a bank account number and the said number was given by me to my clients. Accordingly, dealers/buyers of the tile manufacturers (who are my clients) deposit the cash amount in the said account of the Shroffs as per the instructions of the Ceramic Tile manufacturers. My clients then inform me about the cash deposited and the name of the city from where the amount has been deposited. And once the said amount is deposited in the account of my Shroffs, my work is to receive the cash from the Shroffs and deliver the same to my clients. I further state that generally Shri Nitinbhai A. Chikhani of M/s. Maruti Enterprise & M/s. India Enterprise, Rajkot, used to deliver the cash to me. My Shroffs are M/s. Maruti Enterprise and M/s. India Enterprise, Rajkot, which is operated by Shri Nitin A. Chikhani & M/s. Ambaji Enterprises and M/s K.N. Brothers, both situated at Rajkot, which is operated by Shri Lalitbhai Gangwani.

.....

Q.3: Please produce all documents/files/diaries/registers, pertaining to aforesaid business activity of your firm namely M/s. Gayatri Enterprise, Morbi for the period from inception of the firm to till date.



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A.3: I produce herewith one "Office time" make Notebook containing pages from 1 to 160. The said notebook contains the details of cash amount received from the Shroffs for distribution of the same to my clients i.e. Ceramic Tile manufacturers/Traders, for the period from 24.11.2015 to 21.12.2015. I further explain the details shown at Entry No. 1 at the left side of Page No.1 of the said Notebook as under:

2758040 shiv 23-11 TPK

The first column "2758040" represents the amount received from Shn Nitin Chikani of M/s. India Enterprise, Rajkot (shiv). The second column "shiv" represents the code name given to Shri Nitin Chikani. The third column "23-11" represents the date of transaction. The forth column "TPK" represents the short abbreviation of my name.

In view of the above, I state that on 23.11.2015, I have received Rs.27,58,040/- from my shroff namely Shri Nitin Chikani.

Now, I explain the details show at entry No. 3 at the right side of Page No. 1 the said Notebook as under:

497730 Alive Chandresh (3)

The first column '497730' represents the amount paid to Shri Chandresh of M/s Alive Ceramics.

The second column 'Alive' represents the code name given to the Ceramic tile manufacturer

The third column 'Chandresh' represents the name of the person who collected the amount on behalf of the ceramic tile manufacturer.

The fourth column '(3)' represents the number of entries of the cash amount made by the customers of ceramic tile manufacturer.

In the same manner, the other entries have been made during the course of regular business in this notebook.

...

Q.5: Please give the details of your clients i.e. Ceramic Tile manufacturers.

A.5: Sir, the following Ceramic Tile Manufacturer/ traders are my clients:

S.No.	Name of the Tile Manufacturer	Person coming for collecting cash	Code used
1.	Landgrace Ceramic Pvt Ltd	Rajubhai	LMR
2.	Zet Granito Pvt Ltd	Nayan	Nayan
3.	Aqua Top	Nimeshbhai	ATP
4.	Omson	Anilbhai	OMS
5.	Ador	Yogeshbhai	ADR
6.	Naya Ceramic	Kantibhai	NAYA
7.	Koto Ceramic	Mayankbhai	ATAL
8.	Qbo Ceramic	Bipinbhai	QBO
9.	Dipson Ceramic	Hardikbhai	Hardik
10.	Omano Tiles	Nileshbhai	OMN.T



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11.	Bhagat	Laxmanbhai	Bhagat
12.	Arrow Ceramic	Damji	Damji
13.	Suntel	Hitesh	Suntel
14.
15.
22.	Hilltop Ceramic	Hitesh	H2O2
24.

Statement dated 28.12.2015:

Q.4. Please state who has made the entries in these 28 records consisting of Diaries and why these entries have been made?

A.4. I have personally made the entries in all these 28 diaries. On some pages, the writing may be different. Those entries have been made by my son whenever I am out of station or in the office. These entries pertain to the cash received from the various Shroff and cash paid to the Ceramic Tile manufacturers.

Q.5. Two types of records are maintained by you. One in the Writing pads and other is in Pocket small diaries. Please explain what they contain?

A.5. I am first explaining the details mentioned in the Writing pads. The Writing pads contain the details received from the Ceramic Tile manufacturers. The manufacturers or his representative calls me in the morning or noon and inform the amount of cash deposited from a particular city or sometimes the amount to be deposited in cash on that day from a particular city. The amount is then entered on the respective pages in 'thousands' i.e. '000' are to be added. If the amount is in thousand and hundreds then it is differentiated with /. For example Rs. 8800/- is written as 8/8 and in that case '00' are to be added. Then the name of the city is mentioned from where the amount is to be received. Lastly the name of the account is mentioned in code word i.e. the name of the Bank and or details of the account holder or his firm's name. After that will call the respective Shroff and inform him the account name and the name of city from where the amount is to be received and when he confirms the receipt, we put a code mark viz 'Star', 'Triangle' and 'X in a circle' against that entry. Different code mark has been allotted to different Shroffs. For example "Star" has been allotted to Shri Lalit Gangwani of Rajkot, 'Triangle' has been allotted to Shri Nitin Chikani of Rajkot and 'X in a circle' has been allotted to Shri Sandeep of Jamnagar. "

7.5 It is also observed that M/s. Raja Marketing, Hyderabad, have purchased tiles from the appellant, who have deposed in his statement that they have purchased the tiles over and above mentioned in the invoices which were received without payment of Central Excise duty for which they have made payment in cash. The relevant portion of the statement of the buyer/dealer is reproduced as under:

(i) Statement of Shri Prasad P. Krishna Rao, Partner of M/s. Raja Marketing, Hyderabad recorded on 28.05.2019 under Section 14 of Central Excise Act, 1944: "Page No. 756"

प्रश्न 5. आपकी फर्म मेसर्स राजा मार्केटिंग हैदराबाद किस-किस टाइल उत्पादकों से फाइनेशियल ईयर 2014-15 से टाइल खरीद रही हैं उनके नाम बताइए ?

उत्तर 5. हमारी फर्म मेसर्स राजा मार्केटिंग हैदराबाद निम्न टाइल उत्पादकों से टाइल



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खरीदते हैं

1. M/s. Kalyan Glazed Tiles, Jambudiya, Morbi
2. M/s. Alive Tiles Pvt. Ltd., Morbi
3. M/s. Ador Ceramic Pvt. Ltd. Morbi
4. M/s. Hilltop Ceramic Pvt. Ltd. Morbi
5. M/s. Gravity Ceramic Pvt. Ltd. Morbi
6. M/s. Active Ceramic Pvt. Ltd., Morbi
7. M/s. Welcome Ceramic Pvt. Ltd., Morbi
8. M/s. Swidan Ceramic Pvt. Ltd. Morbi
9. M/s. Acute Ceramic Pvt. Ltd., Morbi

... ..

प्रश्न 8 क्या आपने उपरोक्त टाइल उत्पादक से बिना सेंट्रल एक्साइज़ ड्यूटी भरे टाइल्स की खरीद 01.04.2014 से 31.03.2016 अवधि के बीच में की है और उसका पेमेंट कैश में किया है ?

उत्तर 8 आप साहब से पूछने पर मैं बताता हूँ की मेरी फ़र्म राजा मार्केटिंग हैदराबाद ने 01.04.2014 से 31.03.2016 अवधि के बीच में उपरोक्त टाइल उत्पादक से सेंट्रल एक्साइज़ इन्वोइस जारी किए हुये टाइल्स की खरीद की थी और उसका पेमेंट चेक या कैश में किया था। उपरोक्त टाइल उत्पादक से बिना सेंट्रल एक्साइज़ ड्यूटी भरे टाइल्स की खरीद 01.04.2014 से 31.03.2016 अवधि के बीच में की है पर उसका कोई डिटेल मेरे पास उपलब्ध नहीं है ।

... ..

प्रश्न 10. क्या आपने एक्यूट सिरेमिक प्रा. लि. (Acute Ceramic Pvt. Ltd.), मोरबी, मेसर्स अडोर सिरेमिक प्रा. लि. सरतानपर, विलेज धुवा, ता. - वांकानेर एवं ऊपर वर्णित 6 अन्य से बिना सेंट्रल एक्साइज़ इन्वाइस प्राप्त किए एवं बिना सेंट्रल एक्साइज़ ड्यूटी भरे टाइल्स की खरीद की है व उसका कैश में किया पेमेंट का विवरण प्रदान करें ?

उत्तर 10 मेरी फ़र्म मेसर्स राजा मार्केटिंग हैदराबाद ने उपरोक्त मेसर्स एक्यूट सिरेमिक प्रा. लि. (Acute Ceramic Pvt. Ltd.), मोरबी, मेसर्स अडोर सिरेमिक प्रा. लि. सरतानपर, विलेज धुवा, ता. - वांकानेर, मेसर्स एक्टिव सिरेमिक प्रा. लि. (Active ceramic Pvt. Ltd.), Morbi, मेसर्स ऐलिव टाइल्स प्रा. लि. (M/s. Alive Tiles Pvt. Ltd.), Lakhdirdpur Road, Morbi एवं मेसर्स हिलटोप सिरेमिक प्रा. लि. (M/s. Hilltop Ceramic Pvt. Ltd.), Morbi से सेंट्रल एक्साइज़ इन्वाइस के अंतर्गत टाइल्स की खरीद की है व उसका पेमेंट कैश में या चेक में किया है । इन्वाइस में दर्ज क्वान्टिटी के अलावा कुछ एक्सट्रा टाइल सिरेमिक बॉक्स भी कंसाइनमेंट के साथ में रिसीव करते थे जो ओवर एंड अबोव इन्वाइस क्वान्टिटी होते है जैसे इन्वाइस में दर्ज क्वान्टिटी 200 टाइल बॉक्स है और 200 टाइल बॉक्स पर सेंट्रल एक्साइज़ ड्यूटी भरी होती थी पर वास्तव में 250 टाइल बॉक्स रिसीव करते थे और इन्वाइस के दर्ज क्वान्टिटी के अलावा बाकी के 50 टाइल बॉक्स बिना सेंट्रल एक्साइज़ ड्यूटी भरे आते थे इसी तरह से इन ऊपर वर्णित टाइल मैन्यूफ़ैचर्स से कुछ एक्सट्रा टाइल बॉक्स बिना सेंट्रल एक्साइज़ ड्यूटी भरे टाइल्स की 01.04.2014 से 31.03.2016 की अवधि के बीच में खरीद की थी । बिना सेंट्रल एक्साइज़ ड्यूटी भरे टाइल्स की खरीद व उसका कैश में किया पेमेंट का विवरण हम कहीं भी दर्ज नहीं करते थे व उसका रिकॉर्ड भी नहीं रखते थे इसका कोई बिल या इन्वाइस भी हमने प्राप्त नहीं किया था और इस सारे माल को हमने कैश में ही बेचा था जिसका कोई डिटेल मेरे पास उपलब्ध नहीं है ।



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प्रश्न 11 आप इन टाइल मेन्यूफेक्चररस को कैश पेमेंट कैसे भेजते थे ?

उ 11 हम यह कैश उन टाइल मेन्यूफेक्चररस द्वारा दिये अकाउंट में जमा करवाते थे।

प्रश्न 12 क्या आप उपरोक्त थर्ड पार्टी (तीसरे व्यक्ति) को व्यक्तिगत रूप से जानते हैं ?

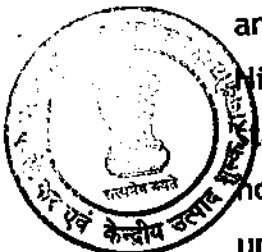
उ 12 मैं व्यक्तिगत रूप से इन थर्ड पार्टी (तीसरे व्यक्ति) को नहीं जानता हूँ उपरोक्त बैंक अकाउंट नंबर टाइल मेन्यूफेक्चररस द्वारा दिये जाते थे उनके निर्देश के अनुसार हम इनके द्वारा दिये गए बैंक अकाउंट में कैश पेमेंट जमा (डिपॉजिट) करवाते थे।

प्रश्न 13 उपरोक्त टाइल उत्पादकों के अलावा और कोई दूसरा माल आपकी फ़र्म ने बिना सेंट्रल एक्साइज़ ड्यूटी भरे खरीद की है व उसका पेमेंट कैश में किया है ।

उ 13. हमने उपरोक्त टाइल उत्पादकों के अलावा और कोई दूसरा माल बिना सेंट्रल एक्साइज़ ड्यूटी भरे खरीद नहीं की है । जी एस टी रेजिम में हम सारी खरीदी टैक्स भरे माल की जी एस टी इन्वोइस के अंतर्गत टाइल्स की खरीद की है ।

8. On analyzing the documentary evidences collected during search at the premises of M/s K.N. Brothers, Rajkot and M/s Maruti Enterprise, Rajkot; both Shroffs, and Shri Thakarshi Premji Kasundra, Morbi, broker/ middleman, as well as deposition made by Shri Lalit Ashumal Gangwani, owner of M/s K.N. Brothers, Shri Nitinbhai Arjanbhai Chikani of M/s Maruti Enterprise and Shri Thakarshi Premji Kasundra in their respective Statements recorded under Section 14 of the Act, I find that customers of Appellant No. 1 had deposited cash amount in bank accounts of Shroffs M/s K.N. Brothers, Rajkot and M/s Maruti Enterprise, Rajkot, which was converted into cash by them and handed over to Shri Thakarshi Premji Kasundra, Morbi, Broker/Middleman, who admittedly handed over the said cash amount to the Appellant.

8.1 On examining the Statements of Shri Lalit Ashumal Gangwani, owner of M/s K.N. Brothers, Rajkot, Shri Nitinbhai Arjanbhai Chikani of M/s Maruti Enterprise and Shri Thakarshi Premji Kasundra, Morbi, it is apparent that the said Statements contained plethora of the facts, which are in the knowledge of the deponents only. For example, Shri Thakarshi Premji Kasundra deciphered the meaning of each and every entry written in the private records seized from his premises. He also gave details of when and how much cash was delivered to which Tile manufacturer and even concerned person who had received cash amount. He deposed that he used to hand over cash received from Shroff to Shri Nitesh of M/s Hilltop Ceramic, Appellant herein. It is not the case that the said Statements were recorded under duress or threat. Further, said statements have not been retracted. So, veracity of deposition made in said Statements is not under dispute.



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8.2 I find that the Appellant had devised such a *modus operandi* that it was almost impossible to identify buyers of goods or transporters who transported the goods. The Appellant used to inform M/s K.N. Brothers, Rajkot, M/s Maruti Enterprise, Rajkot, Shroffs or Shri Thakarshi Premji Kasundra, Morbi, Middlemen, about deposit of cash in bank accounts of Shroffs on receipt of communication from their buyers and such cash amount would reach to them through middlemen/brokers. When cash amount was deposited by buyers of goods in bank accounts of Shroffs, the same was not reflected in bank statements, as emerging from the records. So, there was no details of buyers available who had deposited cash amount in bank accounts of Shroffs. This way the Appellant was able to hide the identity of buyers of illicitly removed goods. It is a basic common sense that no person will maintain authentic records of the illegal activities or manufacture being done by it. It is also not possible to unearth all evidences involved in the case. The adjudicating authority is required to examine the evidences on record and decide the case. The Hon'ble High Court in the case of International Cylinders Pvt. Ltd reported at 2010 (255) ELT 68 (H.P.) has held that once the Department proves that something illegal had been done by the manufacturer which *prima facie* shows that illegal activities were being carried, the burden would shift to the manufacturer.

8.3 It is also pertinent to mention that the adjudicating authority was not conducting a trial of a criminal case, but was adjudicating a Show Cause Notice as to whether there has been clandestine removal of excisable goods without payment of excise duty. In such cases, preponderance of probabilities would be sufficient and case is not required to be proved beyond reasonable doubt. I rely on the Order passed by the Hon'ble CESTAT, Bangalore in the case of Ramachandra Rexins Pvt. Ltd. reported as 2013 (295) E.L.T. 116 (Tri. - Bang.), wherein it has been held that,

"7.2 In a case of clandestine activity involving suppression of production and clandestine removal, it is not expected that such evasion has to be established by the Department in a mathematical precision. After all, a person indulging in clandestine activity takes sufficient precaution to hide/destroy the evidence. The evidence available shall be those left in spite of the best care taken by the persons involved in such clandestine activity. In such a situation, the entire facts and circumstances of the case have to be looked into and a decision has to be arrived at on the yardstick of 'preponderance of probability' and not on the yardstick of 'beyond reasonable doubt', as the decision is being rendered in quasi-judicial proceedings."

8.4 I also rely on the Order passed by the Hon'ble Tribunal in the case of A.N. Guha & Co. reported in 1996 (86) E.L.T. 333(Tri.), wherein it has been held that,



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"In all such cases of clandestine removal, it is not possible for the Department to prove the same with mathematical precision. The Department is deemed to have discharged their burden if they place so much of evidence which, prima facie, shows that there was a clandestine removal if such evidence is produced by the Department. Then the onus shifts on to the Appellants to prove that there was no clandestine removal".

9. After careful examination of evidences available on record in the form of documentary evidences as well as oral evidence, I am of the considered opinion that the Department has discharged initial burden of proof for alleging clandestine removal of goods and the burden of proof shifts to the assessee to establish by independent evidence that there was no clandestine removal and the assessee cannot escape from the rigour of law by picking loopholes in the evidences placed by the Department. I rely on the decision rendered by the Hon'ble Madras High Court in the case of Lawn Textile Mills Pvt. Ltd. reported as 2018 (362) E.L.T. 559 (Mad.), wherein it has been held that,

"30. The above facts will clearly show that the allegation is one of clandestine removal. It may be true that the burden of proving such an allegation is on the Department. However, clandestine removal with an intention to evade payment of duty is always done in a secret manner and not as an open transaction for the Department to immediately detect the same. Therefore, in case of clandestine removal, where secrecies involved, there may be cases where direct documentary evidence will not be available. However, based on the seized records, if the Department is able to *prima facie* establish the case of clandestine removal and the assessee is not able to give any plausible explanation for the same, then the allegation of clandestine removal has to be held to be proved. In other words, the standard and degree of proof, which is required in such cases, may not be the same, as in other cases where there is no allegation of clandestine removal."

10. The Appellant has contended that since cross examination of Departmental witnesses were not allowed, their statements cannot be relied upon while passing the order and determining the duty amount payable by it. In this regard I find that the Appellant had sought cross examination of Shri Lalit Ashumal Gangwani and Shri Jayesh Solanki of M/s K.N. Brothers and Shri Thakarshi Premji Kasundra, Morbi during the course of adjudication. The adjudicating authority denied the request of cross examination by observing in the impugned order, *inter alia*, as under:

"19.4 Further, as discussed above, all the witnesses have admitted their respective role in this case, under Section 14 of the Central Excise Act, 1944, voluntarily, which is binding on them and relied upon in the case of the noticee. Further, I find that all the witnesses have not retracted their statements. Therefore, the same are legal and valid pieces of evidence in the eyes of law. It is a settled legal position that cross examination is not required to be allowed in all cases. The denial of opportunity of cross-examination does not vitiate the adjudication proceedings. The adjudicating authority was not conducting a trial of a criminal case, but was adjudicating a SCN as to whether there has been clandestine removal of excisable goods without payment of duty. I find that the Noticee has not provided any independent evidence to show that there was no clandestine removal. In this regard, I place reliance upon the judgement of Hon'ble High Court of Madras in the case of



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Commissioner of Central Excise Salem Vs M/s Erode Annai Spinning Mills (Pvt.) Ltd, reported at 2019 (366) ELT647, wherein it was held that where opportunity of cross examination was not allowed, the entire proceedings will not be vitiated.”

10.1 I find that none of the Statements of Shroffs/ Middleman/Broker recorded during investigation have been retracted nor there is any allegation of duress or threat during recording of Statements. Further, Shroffs/Middlemen/ broker have no reason to depose before the investigating officers something which is contrary to facts. It is also pertinent to mention that the present case was not one off case involving clandestine removal of goods by Tile manufacturers of Morbi. It is on record that DGCEI had simultaneously booked offence cases against 186 such manufacturers for evasion of Central Excise duty who had adopted similar *modus operandi* by routing sale proceeds of illicitly cleared finished goods through Shroffs / Middlemen/brokers. It is also on records that out of said 186 manufacturers, 61 had admitted to the allegations and had also paid duty evaded by them. So, the documentary evidences gathered by the investigating officers from the premises of Shroffs / middlemen contained trails of illicitly removed goods and preponderance of probability is certainly against the Appellant. It has been consistently held by the higher appellate fora that cross examination is not mandatory and it depends on facts of each and every case. I rely on the decision rendered by the Hon'ble Bombay High Court in the case of Patel Engineering Ltd reported as 2014 (307) E.L.T. 862 (Bom.), wherein it has been held that,

“23. Therefore, we are of the opinion that it will not be correct to hold that irrespective of the facts and circumstances and in all inquiries, the right of cross examination can be asserted. Further, as held above which rule or principle of natural justice must be applied and followed depends upon several factors and as enumerated above. Even if there is denial of the request to cross examine the witnesses in an inquiry, without anything more, by such denial alone, it will not be enough to conclude that principles of natural justice have been violated. Therefore, the judgments relied upon by Shri Kantawala must be seen in the factual backdrop and peculiar circumstances of the assessee's case before this Court.”

10.2 By following the above decision and considering the facts of the case, I hold that the adjudicating authority has not erred by not acceding request for cross examination of the witnesses, as sought by the Appellant.

11. The Appellant has contended that in the entire case except for so called evidences of receipt of money from the buyers of tiles through Shroff/ Middlemen/ Broker, no other evidence of manufacture of tiles, procurement of raw materials including fuel and power for manufacture of tiles, deployment of staff, manufacture, transportation of raw materials as well as finished goods, payment to all including raw material suppliers, transporters etc. in cash have



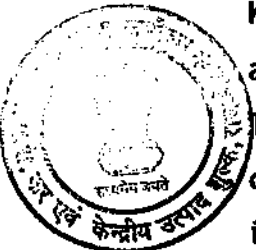
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been gathered. The Appellant further contended that no statement of any of buyers, transporters who transported raw materials and finished goods etc. are relied upon or even available. It is settled position of law that in absence of such evidences, grave allegations of clandestine removal cannot sustain and relied upon various case laws.

11.1 I find that the investigating officers gathered evidences from the premises of M/s K.N. Brothers, Rajkot, M/s Maruti Enterprise, Rajkot, both Shroffs, or Shri Thakarshi Premji Kasundra, Morbi, Middlemen, which indicated that the Appellant routed sales proceeds of illicitly removed goods through the said Shroffs and Middlemen/Broker. The said evidences were corroborated by the depositions made by Shri Lalit Ashumal Gangwani, Owner of M/s K.N. Brothers, Shri Nitinbhai Arjanbhai Chikani of M/s Maruti Enterprise and Shri Thakarshi Premji Kasundra, Morbi during the course of adjudication. It is also observed that Shri Prasad P. Krishna Rao, Partner of M/s. Raja Marketing, Hyderabad in his Statement recorded on 28.05.2019 has admitted that they had purchased goods from the Appellant without invoices and payment was made in cash in the bank account given by the Appellant. Further, as discussed supra, the Appellant had devised such a *modus operandi* that it was difficult to identify all buyers of goods or transporters who transported the goods. In catena of decisions, it has been held that in cases of clandestine removal, it is not possible to unearth all the evidences and Department is not required to prove the case with mathematical precision. I rely on the Order passed by the Hon'ble CESTAT, Ahmedabad in the case of Apurva Aluminium Corporation reported at 1996 (261) E.L.T. 515 (Tri. Ahmd.), wherein at Para 5.1 of the order, the Tribunal has held that,

“Once again the onus of proving that they have accounted for all the goods produced, shifts to the appellants and they have failed to discharge this burden. They want the department to show challan wise details of goods transported or not transported. There are several decisions of Hon'ble Supreme Court and High Courts wherein it has been held that in such clandestine activities, only the person who indulges in such activities knows all the details and it would not be possible for any investigating officer to unearth all the evidences required and prove with mathematical precision, the evasion or the other illegal activities”.

12. The Appellant has contended that the investigation has prepared Annexure - A to the SCN based on the private records of Shri Thakarshi Premji Kasundra i.e. loose papers wherein wherever “H2O2” is written are considered as entries of appellant. The investigation has relied upon statement of Shri Thakarshi Premji Kasundra wherein he stated that 'Hitesh' was coming for collecting the case on behalf of 'Hilltop Ceramic'. The Appellant contended that it is surprising that how a 70 years old man can give such details i.e. name of 24



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tile manufacturers and 24 persons coming to him with 24 code names? Actually investigation has put names, codes etc. in his mouth so as to fabricate the case against the tile manufacturers.

12.1 On examining the Statement of Shri Thakarshi Premji Kasundra, broker/middleman, it is apparent that he had recorded transactions in his private records using certain coding, which were deciphered by him explaining each and every entry. Such coding and its meaning were in his personal domain only and it cannot be dictated. It is possible that he might have given names of manufacturers and coding used by referring to his private record during recording of Statement. It is also not brought to my notice that Shri Thakarshi Premji Kasundra, broker has retracted his Statement. I, therefore, reject the contention raised by the Appellant as not sustainable.

13. The Appellant has contended that the adjudicating authority has not neutrally evaluated the evidences as well as submission made by it but heavily relied upon the general statements of Shroff, Middleman/Broker, scan copy of private records of K. N. Brothers, and Shri Thakarshi Kasundra, broker reproduced in the SCN but ignored that Shri Jagdish G. Patel, Partner of Appellant, has filed affidavit dated 2.7.2020 to the effect that they had manufactured and cleared goods under invoices and on payment of duty of excise; that they have not received any cash as mentioned in SCN from any person.

13.1 I have gone through the Affidavit dated 02.07.2020 filed by Shri Jagdish G. Patel, Partner of the Appellant, contained in appeal memorandum. I find that as narrated in Para 3 of Show Cause Notice, summons were issued to the Appellant by the investigating authority on 07.06.2018, 25.05.2109 and 18.06.2019 to give oral evidence but they did not appear. Thus, opportunities were given to the Appellant to explain their position. However, they chose not to avail the opportunity. It is apparent that filing affidavit after issuance of Show Cause Notice is merely an afterthought and it has no bearing on the outcome of this case.

14. In view of the above, the various contentions raised by the Appellant are of no help to them and they have failed to discharge the burden cast on them that they had not indulged in clandestine removal of goods. On the other hand, the Department has adduced sufficient oral and documentary corroborative evidences to demonstrate that the Appellant indulged in clandestine removal of goods and evaded payment of Central Excise duty. I, therefore, hold that



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confirmation of demand of Central Excise duty amount of Rs.27,67,358/- by the adjudicating authority is correct, legal and proper. Since demand is confirmed, it is natural consequence that the confirmed demand is required to be paid along with interest at applicable rate under Section 11AA of the Act. I, therefore, uphold impugned order to pay interest on confirmed demand.

15. The Appellant has contended that Tiles were notified at Sr. No. 58 and 59 under Notification No. 49/2008-C.E.(N.T.) dated 24.12.2008, as amended, issued under Section 4A of the Act and duty was payable on the retail sale price declared on the goods less abatement @ 45%. Though there is no evidence of manufacture and clearance of goods that too without declaration of RSP/MRP, duty is assessed considering the so called alleged realised value as abated value without any legal backing. The Appellant further contended that duty is to be determined as per Section 4A(4) of the Act read with Rule 4(i) of Central Excise (Determination of Retail Sale Price of Excisable Goods) Rules, 2008, which provided that highest of the RSP/MRP declared on the goods during the previous or succeeding months is to be taken for the purpose of assessment.

15.1 I find it is pertinent to examine the provisions contained in Section 4A of the Act, which are reproduced as under:

“Section 4A. Valuation of excisable goods with reference to retail sale price.-

(1) The Central Government may, by notification in the Official Gazette, specify any goods, in relation to which it is required, under the provisions of the [Legal Metrology Act, 2009 (1 of 2010)] or the rules made thereunder or under any other law for the time being in force, to declare on the package thereof the retail sale price of such goods, to which the provisions of sub-section (2) shall apply.

(2) Where the goods specified under sub-section (1) are excisable goods and are chargeable to duty of excise with reference to value, then, notwithstanding anything contained in section 4, such value shall be deemed to be the retail sale price declared on such goods less such amount of abatement, if any, from such retail sale price as the Central Government may allow by notification in the Official Gazette.”

15.2 I find that in terms of the Legal Metrology Act, 2009, retail sale price is required to be declared on packages when sold to retail customers. This would mean that when goods are sold to customers, other than retail customers, like institutional customers, the provisions of Legal Metrology Act, 2009 would not be applicable.

15.3 On examining the present case in backdrop of above provisions, I find that the Appellant has not produced any evidences that the goods were sold to retail customers. Further, as discussed above, the Appellant had adopted such a modus operandi that identity of buyers could not be ascertained during investigation.



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Since, applicability of provisions contained in Legal Metrology Act, 2009 itself is not confirmed, it is not possible to extend benefit of abatement under Section 4A of the Act. Even if it is presumed that all the goods sold by the Appellant were to retail customers then also what was realised through Shroff/Middlemen cannot be considered as MRP value for the reason that in cases when goods are sold through dealers, realised value would be less than MRP value since dealer price is always less than MRP price.

15.4 As regards contention of the Appellant that duty is to be determined as per Section 4A(4) of the Act read with Rule 4(i) of Central Excise (Determination of Retail Sale Price of Excisable Goods) Rules, 2008, I find it is pertinent to examine the provisions of Rule 4 *ibid*, which are reproduced as under:

“RULE 4. Where a manufacturer removes the excisable goods specified under sub-section (1) of section 4A of the Act, -

(a) without declaring the retail sale price on the packages of such goods; or

(b) by declaring the retail sale price, which is not the retail sale price as required to be declared under the provisions of the Standards of Weights and Measures Act, 1976 (60 of 1976) or rules made thereunder or any other law for the time being in force; or

(c) by declaring the retail sale price but obliterates the same after their removal from the place of manufacture,

then, the retail sale price of such goods shall be ascertained in the following manner, namely :-

(i) if the manufacturer has manufactured and removed identical goods, within a period of one month, before or after removal of such goods, by declaring the retail sale price, then, the said declared retail sale price shall be taken as the retail sale price of such goods :

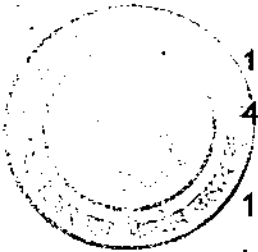
(ii) if the retail sale price cannot be ascertained in terms of clause (i), the retail sale price of such goods shall be ascertained by conducting the enquiries in the retail market where such goods have normally been sold at or about the same time of the removal of such goods from the place of manufacture :

Provided that if more than one retail sale price is ascertained under clause (i) or clause (ii), then, the highest of the retail sale price, so ascertained, shall be taken as the retail sale price of all such goods.”

15.5 I find that in the present case, the Appellant has not demonstrated as to how their case is covered by any of the situation as envisaged under sub clause (a), (b) or (c) of Rule 4 *ibid*. Hence, provisions of Rule 4(i) *ibid* is not applicable in the present case.

15.6 In view of above, plea of the Appellant to assess the goods under Section 4A of the Act cannot be accepted.

16. The Appellant has contended that all the allegations are baseless and totally unsubstantiated, therefore, question of alleged suppression of facts etc.



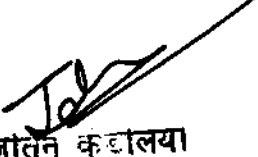
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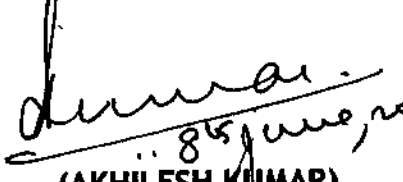
also does not arise. The Appellant further contended that none of the situation suppression of facts, wilful mis-statement, fraud, collusion etc. as stated in Section 11A(4) of the Central Excise Act, 1944 exists in the instant case but it is alleged suppression of facts in the impugned order based on the general allegation. I find that the Appellant was found indulging in clandestine removal of goods and routed the cash through Shroff/Middlemen/Broker. The *modus operandi* adopted by the Appellant was unearthed during investigation carried out against them by DGCEI, Ahmedabad. Thus, this is a clear case of suppression of facts with intent to evade payment of duty. Considering the facts of the case, I am of the opinion that the adjudicating authority was justified in invoking extended period of limitation on the grounds of suppression of facts. Since invocation of extended period of limitation on the grounds of suppression of facts is upheld, penalty under Section 11AC of the Act is mandatory, as has been held by the Hon'ble Supreme Court in the case of Rajasthan Spinning & Weaving Mills reported as 2009 (238) E.L.T. 3 (S.C.), wherein it is held that when there are ingredients for invoking extended period of limitation for demand of duty, imposition of penalty under Section 11AC is mandatory. The ratio of the said judgment applies to the facts of the present case. I, therefore, uphold penalty of Rs. 27,67,358/- imposed under Section 11AC of the Act.

17. In view of above, I uphold the impugned order and reject the appeal of Appellant.

18. अपीलकर्ताओं द्वारा दर्ज की गई अपीलों का निपटारा उपरोक्त तरीके से किया जाता है।
18. The appeals filed by the Appellants are disposed off as above.

सत्यापित / Attested


जतिन कुडालया
अधिक्षक


8 June, 2022.
(AKHILESH KUMAR)
Commissioner (Appeals)

By R.P.A.D.

To, M/s Hilltop Ceramic, Survey No. 115, 8-A National Highway, Taluka : Wankaner, Sartanpar, Rajkot Gujarat 363622	सेवा में, मैसर्स हिल्लटोप सिरेमिक सर्वे नं 115, 8-ए राष्ट्रीय राजमार्ग, तालुका : वांकानेर सरतनपर : राजकोट गुजरात - 363622
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प्रतिलिपि :-

- 1) मुख्य आयुक्त, वस्तु एवं सेवा कर एवं केन्द्रीय उत्पाद शुल्क, गुजरात क्षेत्र, अहमदाबाद को जानकारी हेतु।
- 2) प्रधान आयुक्त, वस्तु एवं सेवा कर एवं केन्द्रीय उत्पाद शुल्क, राजकोट आयुक्तालय, राजकोट को आवश्यक कार्यवाही हेतु।
- 3) सहायक आयुक्त, वस्तु एवं सेवा कर एवं केन्द्रीय उत्पाद शुल्क मण्डल मोरबी-II, राजकोट को आवश्यक कार्यवाही हेतु।
- 4) गार्ड फ़ाइल।

