



Aditya Ultra Steel Limited

CIN L27100GJ 2011PLC066552

(Authorised Manufacturer of Kay2 Xenox Under Retail License User Agreement with Kamdhenu Metallic Industries Limited)

Office & Factory :

Survey No. 48, NH-8 A, Wankaner Boundary, Bhalgam, Dist. Rajkot, Gujarat - 363621.

Ph.: 6357585716 | Email : cs@aditya-ultra-steel.com | Web : www.aditya-ultra-steel.com

IS 1786 2008



Date: 27/10/2026

To,
The Manager,
Listing Compliance Department,
National Stock Exchange of India Limited
Exchange Plaza, Bandra Kurla Complex,
Bandra (E), Mumbai-400 051

Sub.:— Intimation pursuant to Regulation 30 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 Order passed by **Regional Bench of Appellate Tribunal framed under GST Act/CGST Act**

Ref: Security Symbol: AUSL

Dear Sir/Madam,

Pursuant to Regulation 30 of the SEBI Listing Regulations read with SEBI Circular no. SEBI/HO/CFD/PoD2/CIR/P/0155 dated November 11, 2024 and/or SEBI Circular No. SEBI/HO/CFD/CFD-PoD-2/P/CIR/2025/25 dated February 25, 2025 (the “SEBI Circular”) this is to inform you that the Company has received the Order passed by the Commissioner (Appeals), CGST & Central Excise, Rajkot, in Appeal No. GAPPL/COM/GSTP/158/2026, in relation to the demand raised under Order-in-Original No. 106/JC(MS)/GST/2025-26 dated 10 December 2025.

In respect of the captioned matters, I, the undersigned, state and declare that the information and details provided in **Form A** annexed to this letter, in compliance with Regulation 30(13) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, is true, correct and complete to the best of my/ (our) knowledge and belief.

Further, details as required under the applicable provisions of Regulation 30, read with schedule III, Part- A, Para- A, sub-para 20 are given as **Form B** annexed to this letter.

This is for your information and records.

Thanking You.
Yours faithfully,

For ADITYA ULTRA STEEL LIMITED

Sunny Sunil
Singhi Digitally signed by
Sunny Sunil Singhi



Sunny Sunil Singhi
Managing Director
DIN: 07210706

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**Form A****DISCLOSURE BY ADITYA ULTRA STEEL LIMITED REGARDING RECEIPT OF COMMUNICATION FROM REGULATORY, STATUTORY, ENFORCEMENT OR JUDICIAL AUTHORITY UNDER THE SECURITIES AND EXCHANGE BOARD OF INDIA (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015.**

[Regulation 30(13) – Disclosure of communication from regulatory, statutory, enforcement or judicial authority]

Sr. No.	Particulars	Details
1.	Name of the listed company	Aditya Ultra Steel Limited
2.	Type of communication received	Order-in-Appeal
3.	Date of receipt of communication	27/10/2026
4.	Authority from whom communication received	Commissioner (Appeals), CGST & Central Excise, Rajkot
5.	Brief summary of the material contents of the communication received, including reasons for receipt of the communication	Order-in-Appeal No. RAJ-CGST-000-APP-225-2026 dated 19/10/2026 in Appeal No. GAPPL/COM/GSTP/158/2026. The appeal concerns the demand arising from Order-in-Original No. 106/JC(MS)/GST/2025-26 dated 10/12/2025. The Commissioner (Appeals) rejected the Company's appeal and upheld the impugned order.
6.	Period for which communication would be applicable, if stated	Relates to the proceedings concerning alleged inadmissible input tax credit on invoices issued by certain entities, as detailed in the Order-in-Appeal.
7.	Expected financial implications on the listed company, if any	FORM GST APL-04 dated 27/10/2026 records tax determined of ₹1,91,93,360 (CGST ₹95,96,680 and SGST ₹95,96,680) and penalty determined of ₹2,61,93,360 (CGST ₹1,30,96,680 and SGST ₹1,30,96,680). Interest and other amounts are shown as Nil in FORM GST APL-04.
8.	Details of any aberrations/non-compliances identified by the authority in the communication	The order upholds the demand relating to input tax credit treated by the adjudicating authority as inadmissible in connection with invoices issued by entities stated in the order to be non-operational.
9.	Details of any penalty or restriction or sanction imposed pursuant to the communication	The penalty determined in FORM GST APL-04 is ₹2,61,93,360, comprising CGST of ₹1,30,96,680 and SGST of ₹1,30,96,680.
10.	Action(s) taken by listed company with respect to the communication	The Company is examining the Order-in-Appeal and appeal to the Appellate Tribunal shall be filed .
11.	Any other relevant information	No Applicable



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Form B Order PO/ADJ/09-2026/AD/02865

DETAILS AS REQUIRED UNDER THE APPLICABLE PROVISIONS OF REGULATION 30, READ WITH SCHEDULE III, PART- A, PARA- A, SUB-PARA 20:

Sr. No.	Particulars	Details
1.	Name of the authority	Commissioner (Appeals), CGST & Central Excise, Rajkot
2.	Nature and details of the action(s) taken or order(s) passed	Order-in-Appeal No. RAJ-CGST-000-APP-225-2026 dated 19/10/2026 rejects the Company's appeal and upholds the impugned Order-in-Original. FORM GST APL-04 records tax determined of ₹1,91,93,360 and penalty determined of ₹2,61,93,360.
3.	Date of receipt of direction or order, including any ad-interim or interim orders, or any other communication from the authority;	27/10/2026
4.	Details of the violation(s)/contravention(s) committed or alleged to be committed	The proceedings concern input tax credit treated by the adjudicating authority as inadmissible in relation to invoices issued by certain entities, and the related demand and penalty under the GST law, as detailed in the Order-in-Appeal.
5.	Impact on financial, operation or other activities of the listed entity, quantifiable in monetary terms to the extent possible.	As per FORM GST APL-04, tax determined: ₹1,91,93,360 (CGST ₹95,96,680; SGST ₹95,96,680); penalty determined: ₹2,61,93,360 (CGST ₹1,30,96,680; SGST ₹1,30,96,680). Interest and other amounts are shown as Nil in that form.

Appeal No. GAPPL/COM/GSTP/158/2026

	::आयुक्त अपील(का कार्यालय, केन्द्रीय वस्तु एवं सेवा कर और उत्पाद शुल्क:: O/o COMMISSIONER(APPEALS), CENTRAL GST& EXCISE, द्वितीय तल,जी एस टी भवन / 2 nd Floor, GST Bhavan, रेस कोर्स रिंग रोड, / Race Course Ring Road, राजकोट / Rajkot – 360 001 Tele Fax No. 0281 – 2477952/2441142 Email: commrappl3-cexamd@nic.in	 सत्यमेव जयते

रजिस्टर्ड डाक ए.डी. द्वारा

क	अपील / फाइलसंख्या/ Appeal /File No.	मूल आदेश सं/ O.I.O. No.	दिनांक/ Date
	GAPPL/COM/GSTP/158/2026	106/JC(MS)/GST/2025-26	10.12.2025
अपील आदेश संख्या (Order-In-Appeal No.):			
<u>RAJ-CGST-000-APP-225-2026</u>			
ख	आदेश का दिनांक / Date of Order:	19.10.2026	जारी करने की तारीख /Date of issue: 19.10.2026
श्री हरबीर, आयुक्त (अपील्स), वस्तु एवं सेवा कर, राजकोट द्वारा पारित / Passed by Shri Harbir, Commissioner (Appeals), CGST, Rajkot.			
ग	अपर आयुक्त /संयुक्त आयुक्त, वस्तु एवं सेवा कर, राजकोट / भवनगर / गांधीधाम। द्वारा उपरलिखित जारी मूल आदेश से सृजित : Arising out of above mentioned OIO issued by Additional/Joint Commissioner, Central GST / Rajkot ,BhavnagarGandhidham / :		
घ	अपीलकर्ता / प्रतिवादी का नाम एवं पता /Name & Address of the Appellant/Respondent :-		
M/s. Aditya Ultra Steel Pvt. Ltd. (Now, M/s. Aditya Ultra Steel Ltd.), Wankaner Boudry, Survey No. 48, National Highway 8-A, Bhalgam, Rajkot, Gujarat – 363621			
(A)	इस आदेश(अपील) से व्यथित 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.		
(i)	जीएसटी अधिनियम / सीजीएसटी अधिनियम के तहत गठित अपीलीय न्यायाधिकरण की राष्ट्रीय पीठ या क्षेत्रीय पीठ, उन मामलों में जहां शामिल मुद्दों में से एक सीजीएसटी अधिनियम, 2017 की धारा 109 (5) के अनुसार आपूर्ति के स्थान से संबंधित है।		

Appeal No. GAPPL/COM/GSTP/158/2026

	National Bench or Regional Bench of Appellate Tribunal framed under GST Act/CGST Act in the cases where one of the issues involved relates to place of supply as per Section 109(5) of CGST Act, 2017.	
(ii)	सीजीएसटी अधिनियम, 2017 की धारा (7) 109 के संदर्भ में उपरोक्त पैरा -A)(i) में उल्लिखित के अलावा जीएसटी अधिनियम/सीजीएसटी अधिनियम के तहत गठित राज्य पीठ या अपीलीय न्यायाधिकरण की क्षेत्रीय पीठ। State Bench or Area Bench of Appellate Tribunal framed under GST Act/CGST Act other than as mentioned in para- (A)(i) above in terms of Section 109(7) of CGST Act, 2017.	
(iii)	अपीलीय न्यायाधिकरण में अपील सीजीएसटी नियम, 2017 के नियम 110 के तहत, प्रत्येक एक लाख का टैक्स या इनपुट टैक्स क्रेडिट शामिल या टैक्स या इनपुट टैक्स क्रेडिट में अंतर या अपील किए गए आदेश में निर्धारित जुर्माना, शुल्क या जुर्माने की राशि, के लिए एक हजार रुपये (अधिकतम रु .पच्चीस हजार) के शुल्क के साथ दायर की जाएगी। Appeal to the Appellate Tribunal shall be filed as prescribed under Rule 110 of CGST Rules, 2017 and shall be accompanied with a fee of Rs. One Thousand for every Rs. One Lakh of Tax or Input Tax Credit involved or the difference in Tax or Input Tax Credit involved or the amount of fine, fee or penalty determined in the order appealed against (subject to a maximum of Rs. Twenty-Five Thousand).	
(B)	सीजीएसटी अधिनियम, 2017 की धारा (1) 112 के तहत अपीलीय न्यायाधिकरण में अपील प्रासंगिक दस्तावेजों के साथ या तो इलेक्ट्रॉनिक रूप से या रजिस्ट्रार, अपीलीय न्यायाधिकरण द्वारा अधिसूचित फॉर्म जीएसटी एपीएल 05-में, नियम 110 के तहत निर्धारित सामान्य पोर्टल पर दायर की जाएगी। सीजीएसटी नियम, 2017, और फॉर्म जीएसटी एपीएल 05-ऑनलाइन दाखिल करने के सात दिनों के भीतर अपील किए गए आदेश की एक प्रति के साथ संलग्न किया जाना चाहिए। Appeal under Section 112(1) of CGST Act, 2017 to Appellate Tribunal shall be filed along with relevant documents either electronically or as may be notified by the Registrar, Appellate Tribunal in FORM GST APL-05, on common portal as prescribed under Rule 110 of CGST Rules, 2017, and shall be accompanied by a copy of the order appealed against within seven days of filing Form GST APL-05 online.	
(i)	सीजीएसटी अधिनियम, 2017 की धारा (8) 112 के तहत अपीलीय न्यायाधिकरण के समक्ष अपील दायर की जाएगी नीचे उल्लेखित भुगतान के बाद- Appeal to be filed before Appellate Tribunal under Section 112(8) of the CGST Act, 2017 after paying-	
	(a)	इस आदेश के अनुसार कर, ब्याज, जुर्माना, शुल्क और जुर्माने की मांग की पूरी राशि, जैसा कि अपीलकर्ता द्वारा स्वीकार किया गया है; और

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		Full amount of Tax, Interest, Fine, Fee and Penalty arising from the impugned order, as is admitted/accepted by the appellant; and
	(b)	उक्त आदेश के अनुसार सीजीएसटी अधिनियम, 2017 की धारा 107(6) के तहत भुगतान की गई राशि के अतिरिक्त, विवाद में कर की शेष राशि के दस प्रतिशत के बराबर राशि, अधिकतम बीस करोड़ रुपये के अधीन, जिसके संबंध में अपील दायर की गई है। बशर्ते कि किसी भी कर की मांग को शामिल किए बिना जुर्माना मांगने वाले किसी भी आदेश के मामले में, ऐसे आदेश के खिलाफ कोई अपील तब तक दायर नहीं की जाएगी जब तक सीजीएसटी अधिनियम, 2017 की धारा 107(6) के प्रावधान के तहत देय राशि के अतिरिक्त उक्त जुर्माने के दस प्रतिशत के बराबर राशि अपीलकर्ता द्वारा भुगतान नहीं की जाती है। A sum equal to ten per cent of the remaining amount of Tax in dispute, in addition to the amount paid under Section 107(6) of CGST Act, 2017, arising from the said order, subject to a maximum of twenty crore rupees, in relation to which the appeal has been filed. Provided that in case of any order demanding penalty without involving demand of any tax, no appeal shall be filed against such order unless a sum equal to ten per cent. of the said penalty, in addition to the amount payable under the proviso to sub-section (6) of section 107 of CGST Act, 2017, has been paid by the appellant.
	(ii)	केंद्रीय वस्तु एवं सेवा कर) कठिनाइयों का नौवां निवारण (आदेश, 2019 दिनांक 03.12.2019 में प्रावधान किया गया है कि ट्रिब्यूनल में अपील आदेश की सूचना की तारीख या उस तारीख से तीन महीने के भीतर की जा सकती है जिस दिन अध्यक्ष या राज्य अध्यक्ष, जैसा भी मामला हो, अपीलीय न्यायाधिकरण कार्यालय में प्रवेश करता है, जो भी बाद में हो। The Central Goods & Service Tax (Ninth Removal of Difficulties) Order, 2019 dated 03.12.2019 has provided that the appeal to tribunal can be made within three months from the date of communication of Order or date on which the President or the State President, as the case may be, of the Appellate Tribunal enters office, whichever is later.
(C)		उच्च अपीलीय प्राधिकारी को अपील दायर करने से संबंधित विस्तृत, विस्तृत और नवीनतम प्रावधानों के लिए, अपीलकर्ता वेबसाइट www.cbic.gov.in देख सकता है। For elaborate, detailed and latest provisions relating to filing of appeal to the higher appellate authority, the appellant may refer to the website www.cbic.gov.in.

ORDER-IN-APPEAL

The present appeal has been filed by **M/s. Aditya Ultra Steel Pvt. Ltd.** (Now, M/s. Aditya Ultra Steel Ltd.), Wankaner Boundry, Survey No. 48, National Highway 8-A, Bhalgam, Rajkot – 363621 (hereinafter referred to as “the Appellant”) vide ARN No. AD240126017023T dated 21.01.2026 against the DRC-07 No. ZD241225052260Y dated 11.12.2025 / Order-in-Original No. 106/JC(MS)/GST/2025-26 dated 10.12.2025 (hereinafter referred to as “the impugned order”) issued by the Joint Commissioner, Central GST, Rajkot, Rajkot Commissionerate (hereinafter referred to as “the Adjudicating Authority”):

BRIEF FACTS OF THE CASE:

2. Briefly stated, the facts of the case are that the Appellant is holding GSTIN No. 24AAJCA7025P1ZD w.e.f. 01.07.2017 and falls within the administrative control of Center. The Appellant was engaged in manufacturing of Ferrous Waste and Scrap; Re-melting Scrap Ingots (HSN 7204), Iron and Non-Alloy Steel in Ingots (HSN 7206), Wire of Iron or Non-Alloy Steel (7217), Other Bars and Rods of Iron or Non-Alloy Steel (HSN 72142090), etc.

2.1 An investigation was initiated by the officers of the CGST Rajkot Commissionerate against M/s. Rosata Corporate (GSTIN: 24AMXPM9260B1ZR), Jamnagar for fraudulent passing of ITC without actual supply of goods or services. The office premises of M/s. Rosata Corporate were searched on 11.09.2018 wherein it came to notice that Shri Sandeep Chaniyara, resident of Jamnagar, had floated several dummy firms and using documents of various third-persons for facilitating fraudulent passing of ITC.

STATEMENT OF SHRI DHIREN MANDALIA, PROPRIETOR OF M/S. ROSATA CORPORATE-

2.2 During the course of investigation, a statement of Shri Dhiren Mandalia, Proprietor of M/s. Rosata Corporate was recorded on 11.09.2018 under section 70 of the CGST Act, 2017 wherein he stated, inter alia, that apart from M/s. Rosata Corporate, he was also associated as director with (i) M/s. Kalatit Enterprise Pvt. Ltd., Jamnagar, (ii) M/s. Destined Corporate Pvt. Ltd., Jamnagar, and (iii) M/s. Chaniyara E-Commerce, Jamnagar; that his friend Shri Sandeep Chaniyara had called him and said that his clients of Morbi units were facing difficulty in collection of cash payments in North Indian States due to unavailability of Angadia services while clandestinely clearing goods; that Shri Sandeep Chaniyara further proposed creation of a dummy firm under his proprietorship in which the cash deposits will be made by different buyers for monthly payment of Rs.20,000/-; that they showed bogus purchases and sales to avoid any penal action by governmental authorities.

2.2.1 He further admitted, inter alia, that M/s. Rosata Corporate was just a dummy unit; that all their purchase and sale invoices were fraudulent since no actual delivery was

effectuated under those invoices; that the cash entries shown in his bank account were adjustments of payments by clients of Morbi Units against the clandestine removal of goods, which were later transferred to the account of different dummy companies.

2.2.2 He further stated that Shri Jalpesh Solani and Shri Gaurav Chaniyara were the other two directors of M/s. Kalatit Enterprise Pvt. Ltd., Jamnagar, which was also a dummy company, engaged in issuance of bogus invoices. Most of the supplies by M/s. Kalatit Enterprise Pvt. Ltd. were shown in the name of M/s. Rosata Corporate and M/s. Rich Brothers, Jamnagar.

2.2.3 He further stated that he and Shri Jalpesh Solani were the two directors of M/s. Destined Corporate Pvt. Ltd., Jamnagar, which was also a dummy company engaged in issuance of bogus invoices. Most of the supply by M/s. Destined Corporate Pvt. Ltd. was shown in the name of M/s. Rosata Corporate and M/s. Rich Brothers, Jamnagar.

STATEMENT OF SHRI JALPESH SOLANI, DIRECTOR OF M/S. CHANIYARA E-COMMERCE, M/S. KALATIT ENTERPRISE, M/S. DESTINED CORPORATE PVT. LTD. AND PROPRIETOR OF M/S. RICH BROTHERS

2.3 During the course of investigation, a statement of Shri Jalpesh Solani was recorded on 17.09.2018 under section 70 of the CGST Act, 2017 wherein he, inter alia, stated that Shri Sandeep Chaniyara used to look after all the day to day affairs of the abovementioned companies and firm in which he held legal positions; that M/s. Chaniyara E-Commerce, M/s. Kalatit Enterprise Pvt. Ltd., M/s. Destined Corporate Pvt. Ltd., and M/s. Rich Brothers were dummy firms engaged in issuance of fake documents viz. invoices, lorry receipts, etc.; that these companies and firm received payments in their bank accounts from clients of Morbi Industrial Units.

STATEMENT OF SHRI GAURAV CHANIYARA, DIRECTOR OF M/S. CHANIYARA E-COMMERCE AND M/S. KALATIT ENTERPRISE-

2.4 During the course of investigation, a statement of Shri Gaurav Chaniyara was recorded on 17.09.2018 under section 70 of the CGST Act, 2017 wherein he stated, inter alia, that the companies and firms floated by them operated in two ways: (i) by purchasing retail bills from retailers and then issuing bills to entities interested in claiming GST credit and (ii) by raising fake bills for receiving cash component of under-billed/without billed sales made by other firms/companies.

2.4.1 He further explained the modus operandi of their "business of billing" as follows:

(i) First, they get in contact with some "mediators" or brokers who deal on behalf of manufacturing units of Morbi that are involved in under-billed/without bill sales to their clients across the country;

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(ii) Then, the clients of Morbi units, upon receipt of under-billed/without bill goods, transfer the invoice amount to the Morbi units through formal banking channels; however, they face problems in transferring the differential amount (between invoice amount and actual agreed amount) and therefore transfer the same to one of the dummies of the group created by Shri Gaurav Chaniyara and his brother;

(iii) In order to account for the receipts in the bank accounts of the dummy firms, they contact some other companies involved in retail sales of commodities viz. oil, TMT bars, cement, etc. where the concerned companies avoid raising retail invoices to minimise the hassles of accounting. They convinced such companies to rather raise consolidated invoices equal to their daily sales in the name of one of the dummies of the group and to also hand over the invoice amount in cash to them, all without any actual transfer of goods/commodities.

(iv) Now, the concerned dummy group is in receipt of deposits from clients of Morbi Units on one hand and in possession of tax paid invoices and equivalent cash from commodity retailers on the other hand;

(v) The dummy company then delivers the cash component to Morbi Units through Angadiya and the deposits received in bank accounts are transferred to the local commodity retailers through formal banking channels;

(vi) Lastly, in order to account for the output supplies, the dummy company raises fake invoices in name of various other firms.

2.4.2 He further stated that they deduct a commission of Rs.50/- for every Rs.1,00,000/- deposited in their bank accounts by clients of Morbi Units and give the remaining amount to the “mediators” or brokers in cash; that this accounting cycle is settled on a daily basis and all documents pertaining to it are destroyed daily; that the sole purpose of setting up the dummies was to facilitate the circulation of unaccounted money by means of either raising fake documents viz. Invoices, Lorry Receipts, etc. or by sales of invoices to pass on ITC.

2.4.3 He further stated that the entire model was masterminded by his brother Shri Sandeep Chaniyara who convinced clients to be a part of this system and came up with innovative ideas to manipulate the existing tax laws whereas his role was limited to look after day to day accounting activities and daily settlement.

STATEMENTS OF SHRI SANDEEP CHANIYARA, DIRECTOR OF M/S. CHANIYARA E-COMMERCE AND PROPRIETOR OF M/S. CHANIYARA CORPORATE-

2.5 During the course of investigation, a statement of Shri Sandeep Chaniyara was recorded on 17.09.2018 under section 70 of the CGST Act, 2017 wherein he, inter alia, stated that M/s. Rosata Corporate, M/s. Chaniyara E-Commerce, and M/s. Chaniyara Corporate were dummy firms actually involved in business of bogus billing, whereby mere

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invoices were issued in lieu of commission, without any underlying movement of goods or provision of services; that he was in actual control of M/s. Rosata Corporate, Jamnagar despite Shri Dhiren Mandalia being the legal proprietor; that they had received Rs. 200 Crores (approx.) from clients of Morbi Units in the bank accounts of the dummy firms controlled by him on behalf of various Manufacturing Units of Morbi as per their arrangement. He further agreed completely to the modus operandi revealed by his brother, Shri Gaurav Chaniyara, in his statement dated 17.09.2018.

2.6 Another statement of Shri Sandeep Chaniyara was recorded on 24.06.2019 under section 70 of the CGST Act, 2017 wherein he, inter alia, stated that in their business of “business billing”, they had neither actually received any goods nor actually supplied any goods; that they wanted to offer an alternative to the Angadia/Shroff services and earn commission by this scheme/model.

2.6.1 He further admitted that they had business dealings with the Appellant i.e. M/s. Aditya Ultra Steel for previous 2 years; that they had issued only invoices to the Appellant and none of his firms were involved in actual supply of goods to the Appellant; that the Appellant intended to bring about an IPO and for that purpose, wanted to manipulate its balance sheets and accordingly, wanted fake invoices at rates dictated by it; that he was in direct contact with Shri Manoj Jain through mobile calls; that although he could not confirm the exact amount of fraudulent ITC passed on to the Appellant, he could confirm that none of their group dummy companies had ever made any actual supply to the Appellant.

2.6.2 He further explained the modus operandi of their dealings with the Appellant as follows:

- (i) The Appellant supplied goods to its distributor – Shri Mansukhbhai (Polymer Group), who in turn supplied goods to his dealer network;
- (ii) Dealers in rural areas generally supplied goods without raising invoices so as to avoid accounting work;
- (iii) Shri Sandeep Chaniyara thus asked the dealers to rather raise invoices in name of their dummy group firms without any actual supply of goods;
- (iv) Subsequently, the dummy firms used to raise invoices in name of the Appellant at the rate dictated by the Appellant, which may be higher or lower than the rate at which the Appellant had initially supplied the goods and the Appellant used to send the invoice amount through proper banking channel viz. RTGS;
- (v) For facilitating the same, Shri Sandeep Chaniyara deducted a commission of 0.5% and returned the rest to the Appellant in cash;

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(vi) In this way, the Appellant carried out circular trading and manipulated their books of account and adjusted the magnitude of profit/loss.

2.7 Another statement of Shri Sandeep Chaniyara was recorded on 02.07.2019 under section 70 of the CGST Act, 2017 wherein he stated that in cases where the customers desired E-Way bills, he also generated them on paper but never actually effectuated any movement of goods under them. He also provided a list of all the dummy firms in the group set up, operated, and controlled by him, as such:

Table – A

Sr. No.	Name	GSTIN	Directors/Proprietors
1.	M/s. Chaniyara Agro Industries Pvt. Ltd.	24AAHCC0185E1Z1	Shri Sandeep Chaniyara and Shri Gaurav Chaniyara
2.	M/s. Chaniyara and Company	24AKVPC3501F1ZJ	Shri Gaurav Chaniyara (Prop.)
3.	M/s. Chaniyara Bullion Ltd.	24AAHCC3772B1Z0	Shri Sandeep Chaniyara and Shri Gaurav Chaniyara
4.	M/s. Chaniyara Corporate	24AFEPC8577K1Z6	Shri Sandeep Chaniyara (Prop.)
5.	M/s. Chaniyara E-Commerce Ltd.	24AAHCC2366B1Z4	Shri Sandeep Chaniyara and Shri Gaurav Chaniyara
6.	M/s. Destined Corporate Pvt. Ltd.	24AAGCD5211R1ZH	Shri Dhiren Mandaliya and Shri Jalpesh Solani
7.	M/s. Kalatit Enterprise	24AAGCK7965H1Z6	Shri Dhiren Mandaliya and Shri Jalpesh Solani
8.	M/s. Rich Brothers	24BGCP9901D1ZI	Shri Jalpesh Solani (Prop.)
9.	M/s. Rosata Corporate	24AMXPM9260B1ZR	Shri Dhiren Mandalia (Prop.)

2.8 Upon scrutiny of documents of the above companies and firms, it appeared that 05 of them had passed huge amounts of ITC to the Appellant. In view of the same, the office premises of the Appellant were searched by a team of officers of Anti-Evasion section, Rajkot on 20.06.2019 in presence of two panchas in pursuance of Search Warrant issued by Additional Commissioner (Anti-Evasion), CGST, Rajkot. It was gathered that there were two directors of the Appellant viz. Shri Varun Jain and his wife Smt. Varuna Varun Jain; however, Shri Manoj Kumar Jain (father of Shri Varun Jain) was also managing the affairs of the Appellant and thus acting as a de-facto director of the Appellant. Several incriminating documents such as purchase invoices and ledgers were seized under panchnama dated 20.06.2019.

2.9 Based on the documents available on record, it was found that the Appellant had taken ITC amounting to Rs.2,61,93,359/- on the basis of invoices issued by the 05 non-operational dummy firms viz. (i) M/s. Rosata Corporate, (ii) M/s. Kalatit Enterprise, (iii) M/s. Rich Brothers, (iv) M/s. Chaniyara E-Commerce, and (v) M/s. Chaniyara Corporate.

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2.10 A statement of Shri Varun Jain, Director of the Appellant was recorded on 20.06.2019 under section 70 of the CGST Act, 2017 wherein he, inter alia, stated that they had made purchases with the aforesaid 05 firms and made payments through RTGS; that they had actually received goods under the corresponding invoices; that they were dealing through a broker for transactions whose names and details he could not recollect; that they had taken ITC amounting to Rs.2,61,93,359/- as per the following table (Table – B), prepared on the basis of their ledger accounts and verified by him; that he agreed to pay the said ITC availed and utilised from dummy firms before 26.06.2019.

Table – B

Sr. No.	Party Name	Bill Amount	GST	Total Amount
1.	M/s. Rosata Corporate	5,42,27,907	97,61,023	6,39,88,930
2.	M/s. Kalatit Enterprise	5,08,06,569	91,45,183	5,99,51,752
3.	M/s. Rich Brothers	3,06,42,890	55,15,720	3,61,58,610
4.	M/s. Chaniyara E-commerce	87,37,059	15,72,671	1,03,09,730
5.	M/s. Chaniyara Corporate	11,04,237	1,98,763	13,03,000
	Total	14,55,18,663	2,61,93,359	
		CGST:	1,30,96,680	
		SGST:	1,30,96,680	

2.11 During the course of investigation, a statement of Shri Manoj Kumar Jain was recorded on 09.07.2019 under section 70 of the CGST Act, 2017 wherein he, inter alia, stated that apart from his son and daughter-in-law being the directors of the Appellant, he was the “managing person” and all the affairs of the company were controlled according to his directions, on consent of his son Shri Varun Jain; that they were dealing with the aforesaid 05 firms through Shri Sandeep Chaniyara; that they were in personal contact with Shri Sandeep Chaniyara; that they have not received any goods against invoices received from the aforesaid 05 firms as the invoices were only paper transactions for taking ITC; that he agreed with the above tabulated ITC wrongfully availed and utilized and further agrees to discharge the liability thereof in tranches due to financial crunch in the company.

2.12 Based on the above detailed investigation, there were cogent reasons to believe that Shri Manoj Kumar Jain and Shri Varun Jain had carried out fraudulent transactions of about Rs.14,55,18,663/- taxable value involving GST evasion of Rs.2,61,93,359/- in violation of section 16(2) of the CGST Act, 2017. In view of the modus operandi being adopted and the involvement of other persons, who were yet to be investigated and the nature of probable evidence being fragile, the Commissioner, CGST & Central Excise, Rajkot found section 132(1)(c) read with section 132(1)(ii) and section 132(4) of the CGST Act, 2017 being attracted in the present case and thus issued an Authorisation for Arrest on 09.07.2019.

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2.12.1 Accordingly, the Inspector (Preventive), CGST, Rajkot, acting under the authorisation, arrested Shri Manoj Kumar Jain and Shri Varun Jain under section 69 of the CGST Act, 2017 on 09.07.2019 and prepared an Arrest Memo. Both of them presented their Bail Applications before the Assistant Commissioner (Preventive), CGST, Rajkot on 09.07.2019. The Assistant Commissioner (Preventive), CGST, Rajkot, considering the bail applications, granted bail to Shri Manoj Kumar Jain and Shri Varun Jain with certain conditions mentioned therein vide separate bail orders, both dated 09.07.2019, in view of the offences being bailable under section 132(4) read with section 69(3)(b) of the CGST Act, 2017.

2.13 The Appellant had made a payment based on their own ascertainment of Rs.30,00,000/- [CGST: Rs.15,00,000/-; SGST: Rs.15,00,000] on 09.07.2019 by debiting its Electronic Cash Ledger vide Reference No. DC2407190048342. Further, the Appellant had made a payment based on their own ascertainment of Rs.10,00,000/- [CGST: Rs.5,00,000/-; SGST: Rs.5,00,000] under section 73(5) vide FORM GST DRC-03 dated 27.07.2019. Section 73(5) of the CGST Act, 2017 provides for payment of tax based on own ascertainment by person chargeable with tax for non-payment or short-payment of tax or ITC wrongly availed or utilised for any reason, other than the reason of fraud, wilful misstatement or suppression of facts to evade tax, etc. whereas section 74(5) of the CGST Act, 2017 covers instances where such person is chargeable with tax for reason of fraud, wilful misstatement, etc. Under section 73(5), such person may only pay the amount of tax and interest payable thereon and need not pay any penalty whereas under section 74(5), such person needs to pay a penalty equivalent to 15% of such tax as well.

2.13.1 Further, the Appellant made another payment based on their own ascertainment of Rs.5,00,000/- [CGST: Rs. 2,50,000/-; SGST: Rs. 2,50,000] under section 73(5) vide FORM GST DRC-03 dated 22.10.2019. The Appellant vide letter dated 22.10.2019 stated that the payment may be treated as "paid under protest" till the final outcome of the case and that it reserved its rights to contest the allegations made out against them before appropriate legal forum.

2.13.2 Further, the Appellant made another payment based on their own ascertainment of Rs.5,00,000/- [CGST: Rs.2,50,000/-; SGST: Rs.2,50,000] under section 73(5) vide FORM GST DRC-03 dated 21.12.2019. The Appellant vide letter dated 21.12.2019 stated that the payment may be treated as "paid under protest" till the final outcome of the case and that it reserved its rights to contest the allegations made out against them before appropriate legal forum.

2.13.3 Further, the Appellant made another payment based on their own ascertainment of Rs.20,00,000/- [CGST: Rs.10,00,000/-; SGST: Rs.10,00,000] under section 73(5) vide FORM GST DRC-03 dated 05.09.2022.

2.13.4 However, it appeared that unlike the Central Excise law that had specific rules for lodging of protest in cases of payment of tax under protest, the GST legislations do not

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provide for any procedure for payment of tax under protest and vacation thereof. Rather, an option of payment based on own ascertainment is provided under sections 73(5) and 74(5) of the CGST Act, 2017 whereby any person may make payments in the manner prescribed. Further, on receipt of such payment, sections 73(6) and 74(6) of the CGST Act, 2017 mandate that the proper officer shall not serve any show cause notice in respect of the tax so paid or any other penalty payable. As such, it appeared that no further proceedings for vacation of protest are envisaged under the GST regime.

2.14 During the investigation, another statement of Shri Varun Jain was recorded on 11.02.2020 under section 70 of the CGST Act, 2017 wherein he, inter alia, stated that more than 95% of the tax paid by the Appellant was through utilisation of ITC on account of purchase of raw materials and capital goods; that the raw materials used by the Appellant for manufacturing of TMT Bars are Ingots and Billets.

2.15 Additionally, based on certain Lorry Receipts and E-Way Bills produced by the Appellant, the investigation was extended to verification of transporters concerned with various supplies shown by the aforesaid 05 non-operational dummy firms. It appeared that the lorry receipts were issued by 02 transporters viz. M/s. Kanha Roadways, Jamnagar and M/s. Jalaram Transport, Jamnagar only. Upon physical verification of the 02 transporters, vide visit Note dated 01.02.2022 it was found that the said transporters were non-existent at their declared place of business. Notably, the summons issued under section 70 of the CGST Act, 2017 to the said 02 transporters had also returned undelivered with note "address not found". Further, during investigation the online E-Way Bill portal did not show any movement of goods under the E-Way Bills submitted by the Appellant and it thus appeared that the E-Way Bills were only generated but no corresponding goods were supplied on the strength of the same. Therefore, it appeared that no actual movement of goods was effectuated from the said five non-operational dummy firms to the Appellant and the documents such as lorry receipts, E-Way Bills, and Weighment Slips were only prepared to give a false impression of genuine transaction. This appeared to be further corroborated by the statements of Shri Sandeep Chaniyara, Shri Gaurav Chaniyara, and Shri Jalpesh Solani dated 02.07.2019, 17.09.2018, and 17.09.2018 respectively.

2.16 In view of the above, it thus appeared that during the period of April 2018 to March 2019, the Appellant has availed input tax credit of Rs.2,61,93,359/- [CGST: Rs.1,30,96,680/-; SGST: Rs.1,30,96,680/-] on the basis of invoices issued by the 05 non-operational dummy firms viz. (i) M/s. Rosata Corporate, (ii) M/s. Kalatit Enterprise Pvt. Ltd., (iii) M/s. Rich Brothers, (iv) M/s. Chaniyara E-Commerce, and (v) M/s. Chaniyara Corporate, without actually receiving the goods or services mentioned in the said invoices.

2.17 However, since the Appellant has already paid, based on their own ascertainment, Rs.70,00,000/- [CGST: Rs.35,00,000/-; SGST: Rs.35,00,000/] under section 73(5) of the CGST Act, 2017 till the date of issue of notice; the same is required to be deducted from the total demand of tax of Rs.2,61,93,359/- [CGST: Rs.1,30,96,680/-; SGST:

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Rs.1,30,96,680/-]. As such, the remaining amount of wrongly availed input tax credit is Rs.1,91,93,359/- [CGST: Rs.95,96,679/-; SGST: Rs.95,96,679/-].

2.18 However, Section 74(7) of the CGST Act, 2017 provides that where the amount paid by own ascertainment (amount of tax and applicable interest and penalty) falls short of the amount actually payable, the proper officer shall proceed to issue a notice in respect of such amount that falls short. In the present case, since the Appellant has not paid applicable interest under Section 50 of the CGST Act, 2017 and applicable penalty under Section 74 of the CGST Act, 2017 on the amount paid by own ascertainment; the demand for interest and penalty is required to be proposed for the entire amount of Rs.2,61,93,359/- [CGST: Rs.1,30,96,680/-; SGST: Rs.1,30,96,680/-] in view of section 74(7) of the CGST Act, 2017. The same may be tabulated as follows:

Table – C

Particular	Tax (Rs.)	Interest (Rs.)	Penalty (Rs.)
Total	2,61,93,359	As applicable	2,61,93,359
Paid on own ascertainment	70,00,000	0	0
Remaining	1,91,93,359	As applicable	2,61,93,359

3. Subsequently, Show Cause Notice No. IV/06-42/CEP/2019-20 dated 09.02.2024 was issued to the appellant by the Deputy Commissioner, CGST, Rajkot, proposing recovery of the net ITC of Rs.1,91,93,359/- [CGST: Rs.95,96,679/-; SGST: Rs.95,96,679/-] after excluding Rs.70,00,000/- paid during investigation. The notice was answerable to the Assistant/Deputy Commissioner, CGST, Division Morbi-II. A Corrigendum dated 12.02.2024 was issued by the Deputy Commissioner, CGST, Rajkot. A further Corrigendum dated 25.06.2025 was issued by the Additional Commissioner (AE), CGST HQ, Rajkot. It revised the demand to the gross amount of Rs.2,61,93,359/- [CGST: Rs.1,30,96,680/-; SGST: Rs.1,30,96,680/-], proposed appropriation of Rs.70,00,000/- paid during investigation, and made the notice answerable to the Joint/Additional Commissioner, CGST, Rajkot, in respect of all three noticees. In the Show Cause Notice as amended, the Appellant asked to show cause as to why:

(i) Input Tax Credit of Rs.2,61,93,359/- [CGST: Rs.1,30,96,680/-; SGST: Rs.1,30,96,680/-] availed and utilised by the Appellant should not be considered as inadmissible Input Tax Credit in terms of Section 16 of the Central GST Act, 2017 read with Section 16 of the Gujarat GST Act, 2017. Further, Input Tax Credit of Rs.70,00,000/- (CGST: Rs.35,00,000/-; SGST: Rs.35,00,000/-) reversed by them as detailed above, during the investigation, should not be appropriated against the demanded and balance Input Tax Credit of Rs.1,91,93,359/- [CGST: Rs.95,96,679/-; SGST: Rs.95,96,679/-] be

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recovered from them under Section 74 of the Central GST Act, 2017 read with Section 74 of the Gujarat GST Act, 2017;

(ii) Interest on inadmissible ITC of Rs.2,61,93,359/- [CGST: Rs.1,30,96,680/-; SGST: Rs.1,30,96,680/-] payable under Section 50 of the Central GST, 2017 read with Section 50 of the Gujarat GST Act, 2017 should not be recovered from them under Section 74 of the Central GST Act, 2017; and

(iii) Penalty under Section 122(2)(b) of the Central GST Act, 2017 read with Section 122(2)(b) of the Gujarat GST Act, 2017 on inadmissible ITC of Rs.2,61,93,359/- [CGST: Rs.1,30,96,680/-; SGST: Rs.1,30,96,680/-] should not be imposed upon them for wrongful availment and utilization of Input Tax Credit by reasons of wilful misstatement and suppression in their statutory returns in pursuance of collusive activities with the operators of non-existent invoice-issuers.

3.1 Further, in the said Show Cause Notice Shri Manoj Kumar Jain, Authorised Person, M/s. Aditya Ultra Steel Pvt. Ltd. asked to show cause as to why Penalty under Section 122(1A) of the Central GST Act, 2017 read with Section 122(1A) of the Gujarat GST Act, 2017 should not be imposed upon him for actively operating and managing fraudulent affairs of the Appellant in collusion with Shri Varun Jain, Director of the Appellant and retaining the benefits thereof.

3.2 Further, in the said Show Cause Notice Shri Varun Jain, Director, M/s. Aditya Ultra Steel Pvt. Ltd. asked to show cause as to why Penalty under Section 122(1A) of the Central GST Act, 2017 read with Section 122(1A) of the Gujarat GST Act, 2017 should not be imposed upon him for actively operating, managing, and consenting to fraudulent affairs of the Appellant in collusion with Manoj Kumar Jain, Authorised Person of the Appellant and retaining the benefits thereof.

4. The aforesaid Show Cause Notice was adjudicated by the Adjudicating Authority vide the impugned order, wherein he had –

(i) confirmed the demand of GST amount of Rs.2,61,93,359/- [CGST: Rs.1,30,96,680/-; SGST: Rs.1,30,96,680/-] and order to be recovered from the Appellant. However, the Appellant has already paid/ reversed the amount of Rs.70,00,000/- (CGST: Rs.35,00,000/-; SGST: Rs.35,00,000/-) during the investigation, he had ordered to be appropriated against the demanded; and he had ordered to recover the balance amount of Rs.1,91,93,359/- [CGST: Rs.95,96,679/-; SGST: Rs.95,96,679/-] from the Appellant under Section 74(9) of the Central GST Act, 2017 read with Section 74(9) of the Gujarat GST Act, 2017;

(ii) confirmed the demand of interest at applicable rates under Section 50 of the CGST Act, 2017 read with the Section 50 of the Gujarat GST Act, 2017 read with Section 20 of IGST Act, 2017 on the GST liability mentioned at Sr. No. (i) above; and, ordered to be recovered from the Appellant;

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(iii) imposed penalty Rs.2,61,93,359/- [CGST: Rs.1,30,96,680/-; SGST: Rs.1,30,96,680/-] upon the Appellant under Section 122(2)(b) of the Central GST Act, 2017 read with Section 122(2)(b) of the Gujarat GST Act, 2017; and

(iv) refrained from imposing any penalty upon Shri Manoj Kumar Jain, and Shri Varun Jain under Section 122(1A) of the Central GST Act, 2017 read with Section 122(1A) of the Gujarat GST Act, 2017.

GROUND OF APPEAL SUBMITTED BY THE APPELLANT:

5. Being aggrieved by the impugned order passed by the Adjudicating Authority, the Appellant has preferred the present appeal. The grounds of appeal are summarized as under:

A. The Appellant submitted that the impugned corrigendum dated 25.06.2025 is issued without authority of law and is liable to be set aside.

(i) It is submitted that the statutory framework of the CGST Act and its corresponding rules do not define the term "corrigendum." Based on definitions in Merriam-Webster and Black's Law Dictionary, the legal scope of a corrigendum is strictly limited to the rectification of apparent, typographical, or clerical errors on the face of the document.

(ii) The Impugned Corrigendum fails to specify the statutory provisions under which it was issued. It is a settled legal principle that any revision or rectification of a statutory notice must be expressly permitted by law. Since the Corrigendum lacks statutory authority, the corrigendum is legally defective.

(iii) The original SCN was issued by a Deputy Commissioner, violating the prescribed monetary jurisdictional limits outlined in Circular No. 31/05/2018-GST (dated 09.02.2018). The Department attempted to cure this fatal defect via a corrigendum simply directing the reply to an Additional Commissioner. This failed to rectify the fundamental jurisdictional flaw. In fact, a fresh SCN was required to be formally signed and issued by the competent authority (Additional or Joint Commissioner) for amounts exceeding Rs. 1 crore.

(iv) An Adjudicating Authority is legally precluded from issuing a corrigendum to an original SCN after the Appellant has already filed a reply. This principle was affirmed by the CESTAT, West Zonal Bench in Mahindra & Mahindra Ltd. v. Commissioner of C. Ex., Mumbai-V [2006 (196) E.L.T. 62 (Tri.-Bom)], which held that addendums or corrigendums cannot be issued post-reply. This proposition is further substantiated by the Hon'ble Gujarat High Court in Pranit Hem Desai v. Additional Director General, DGGI [2019 (30) G.S.T.L. 396 (Guj)].

B. It is submitted that the entire proceedings are void ab initio due to jurisdictional incompetence and the bar of limitation.

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(i) It is submitted that failure to issue a fresh SCN by a competent authority within the prescribed statutory timeframe renders subsequent attempts to rectify the original notice legally infructuous and time-barred. The statutory time limit for SCN issuance under Section 74 of the CGST Act, 2017 (extended to 30.06.2025) is a mandatory requirement safeguarding the principles of natural justice and ensuring the finality of assessments.

(ii) The Appellant submitted that the original SCN lacked competent authorization. Any attempt to cure this defect via a belated corrigendum after the expiry of the limitation period does not legally re-initiate proceedings. A corrigendum issued outside the statutory timeframe cannot validate a defective notice. Proceedings suffering from the dual fatal defects of limitation and lack of proper authorization are fundamentally flawed and void *ab initio*.

C. The Appellant submitted that the impugned Order was rendered without due consideration of the Appellant's submissions made by them:

(i) The Appellant filed a comprehensive reply substantiating the genuineness of the underlying transactions. The impugned order arbitrarily ignores these submissions, relying exclusively on statements recorded by investigating authorities from third parties (Mr. Dhiren Mandalia, Mr. Jalpesh Solani, Mr. Gaurav Chaniyara, and Mr. Sandeep Chaniyara).

(ii) The payments made by the Appellant under protest cannot be automatically appropriated against disputed demands. The Appellant argues that the department is obligated to afford the Appellant a meaningful opportunity to be heard regarding such adjustments, especially since the demand was never admitted.

(iii) Arbitrary adjudication without considering the Appellant's submissions violates judicial precedents. In this regard, they relied upon the following case laws:

(a) M.P. Commodities Pvt Ltd v. State of Gujarat [2023 (70) G.S.T.L. 66 (Guj.)]

(b) Makemytrip (India) Pvt. Ltd v. State Tax Officer [(2024) 14 Centax 263 (Mad.)]

(iv) The Appellant submitted that failure to consider the SCN reply, the disregard for cross-examination requests, and the unilateral adjustment of protested payments constitute grave violations of the principles of natural justice.

D. The Appellant submitted that denial of opportunity for cross-examination violates principles of natural justice.

(i) The impugned order erroneously denied cross-examination, claiming the case was supported by "documentary evidence and third-party confirmations" rather than solely on statements.

(ii) The Appellant notes that no such "verification reports" or "documentary evidence" were provided in the Relied Upon Documents (RUDs). The Adjudicating Authority's

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reliance on the Delhi High Court ruling in *Vallabh Textiles v. Additional Commissioner* [30 Centax 522 (Del.)] is factually misplaced. In *Vallabh Textiles*, cross-examination was denied because statements were merely *corroborative* of undisputed documentary evidence already on record.

(iii) In the present case, the department has only relied upon the statements of some persons and did not provide any corroborative evidence. Mere statements of some persons cannot be considered as corroborative documentary evidence.

(iv) Conversely, in the present case, the Department has relied exclusively on oral statements without providing any independent corroborative documentary evidence. The Delhi High Court referenced the Telangana High Court's stance that cross-examination cannot be claimed if it makes no material difference. However, when the entire proceedings rest solely on statements, denying cross-examination is severely prejudicial. The Telangana High Court noted that evidence must be documentary in nature to bypass oral corroboration. Here, no documentary evidence was relied upon by the Adjudicating Authority.

(v) The right to cross-examination, while contingent upon case facts, is an absolute necessity here since the Department's entire case rests solely on these statements. The Hon'ble Supreme Court in *Arya Abhushan Bhandar v. Union of India* [2002 (143) E.L.T. 25 (S.C.)] established that denying cross-examination of material witnesses constitutes a fatal breach of natural justice, warranting the setting aside of the order.

(vi) The Punjab and Haryana High Court in *M/s Jindal Drugs Pvt. Ltd. v. Union of India* [2016 (340) E.L.T. 67 (P & H)] ruled that statements recorded behind the back of an assessee cannot be relied upon without testing them via cross-examination. The Adjudicating Authority is under a legal obligation to grant cross-examination upon request. The Appellant reiterates its demand to cross-examine specific named individuals (Mr Dhiren Mandalia, Jalpesh Solani, Gaurav Chaniyara, Sandeep Chaniyara, Varun Jain and Manoj Jain or any other person whose statements the Department wishes to rely upon).

(vii) The Hon'ble Supreme Court in *Andaman Timber Industries v. Commissioner of C.Ex.* [2015 (324) E.L.T. 641 (S.C.)] ruled that disallowing cross-examination when statements form the basis of the impugned order renders the order a nullity. The Commissioner (Appeals), Ahmedabad, in *Unique Corporation*, emphasized that natural justice requires affording cross-examination, setting aside orders that fail to do so.

E. The Appellant contends the inapplicability of Section 70(1A) of the CGST Act to retrospective statements.

(i) The Appellant submitted that Section 70(1A), introduced via the Finance (No.2) Act, 2024, only became effective on 01.11.2024. Prior to 01.11.2024, the GST framework lacked the statutory power to record statements under this section. Consequently,

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statements recorded in 2018 and 2019 are void *ab initio* and legally unsustainable for adjudication.

(ii) Without prejudice, even if reliance is sought, Section 70(1A) must be strictly confined to statements authored by the Appellant itself. Using third-party statements to unjustly prejudice the Appellant is impermissible.

(iii) In the present proceedings, all statements relied upon by the department pertain exclusively to the year 2019. Notably, only the statement of Mr. Sandeep Chaniyara contains any specific reference to the Appellant and purports to describe the Appellant's alleged involvement in the impugned transactions. None of the statements of the other individuals makes any reference whatsoever to the Appellant. Accordingly, save and except the statement of Mr. Sandeep Chaniyara, the evidentiary record contains no direct attribution against the Appellant, rendering reliance upon statements of unrelated third parties both factually unsupported and legally unsustainable.

(iv) Appellant's financial ledgers indicate transactions with the Chaniyara group account for merely ₹17,71,434 in GST.

Party Name	Bill Amount	GST	Total Amount
M/s Chaniyara E-Commerce	87,37,059/-	15,72,671/-	1,03,09,730/-
M/s Chaniyara Corporate	11,04,237/-	1,98,763/-	13,03,000/-
Total	98,41,296/-	17,71,434/-	1,16,12,730/-

(v) It is pertinent to note that the total inadmissible ITC alleged in the present proceedings amounts to ₹2,61,93,359. As submitted hereinabove, only those statements which expressly refer to the Appellant can be legally relied upon. Upon a proper appreciation of the evidentiary record, it emerges that merely ₹17,71,434, constituting approximately 6.76% of the total disputed ITC, can be remotely linked to the Appellant on the basis of such statements. Consequently, any demand or adverse inference beyond the said amount is wholly unsupported by evidence, legally untenable, and contrary to the settled principles governing evidentiary value under the CGST Act, 2017.

F. Without prejudice to any other submissions, the Appellant submitted against the admissibility of uncorroborated oral depositions under Section 136 as under:

(i) it is submitted that the department's entire case relies upon untested oral depositions of six third parties without confronting the Appellant with these statements or examining tangible evidence.

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(ii) The Department seized purchase documents via panchnama but deliberately excluded them from the "Relied Upon Documents" (RUDs), suggesting the Department itself found no illicit activity within the documentary record.

(iii) Consistent denial of cross-examination requests constitutes a grave violation of natural justice. The Assistant Commissioner (AE) explicitly stated (vide letter dated 21.05.2024) that granting cross-examination falls within the Adjudicating Authority's purview.

(iv) This denial contravenes jurisprudence established by the Hon'ble Supreme Court and various High Courts in the case laws - J & K Cigarettes Ltd. & others Vs. Collector of Central Excise and others [ILR (2010) I Delhi 293]; G.T.C. Industries Ltd. Vs. Collector of Central Excise and others [2023 SCC Online SC 124]; Basudev Garg Vs. Commissioner of Customs [ILR (2013) III Delhi 2269]; Swadeshi Polytex Ltd. v. Collector (1990) 2 SCC 358; Lakshman Exports Ltd. v. Collector of Central Excise (2005) 10 SCC 634, and Andaman Timber Industries v. Commissioner of Central Excise, Kolkata-II (2016) 15 SCC 785.

(v) Adjudicatory proceedings cannot advance lawfully without exposing these witnesses to cross-examination to establish the truth. The right to cross-examination emanates directly from Section 70 read with Section 136 of the CGST Act, 2017. Read *in pari materia* with Section 9D of the Central Excise Act and Section 138B of the Customs Act, statements cannot be relied upon unless the deponents are made available for cross-examination.

(vi) Under Section 136, statements become substantive evidence only under five specific contingencies (if the person is dead, untraceable, incapable of giving evidence, etc.). None of these apply here; the witnesses are available. A proper officer must explicitly form an opinion regarding the admissibility of statements in the interest of justice before treating them as relevant.

(vii) Section 136 strictly limits the relevancy of such statements to prosecution for offenses under the Act, completely lacking the enabling provision (present in earlier tax regimes) applying them to general adjudication proceedings.

(viii) The legislative intent is clear: uncorroborated statements under Section 70 are limited to prosecution purposes only. Consequently, statements recorded under Section 70 cannot be utilized to adjudicate civil tax liabilities under Section 74 of the CGST Act.

G. The Appellant submitted that failure to return seized documents violates section 67(3) of the CGST act

(i) Section 67(3) mandates that seized documents not relied upon for issuing a notice "shall be returned to such person within a period not exceeding thirty days." The term

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"shall" imposes a mandatory statutory obligation. The failure to return documents not relied upon in the SCN is a direct violation of this provision.

(ii) The investigating officer was duty-bound to release the documents seized under the Panchnama dated 20.06.2019. Despite a formal request dated 19.06.2024, the Department illegally retained these documents.

(iii) These seized records are critical for substantiating the Appellant's ITC claims and preparing a comprehensive defense. This illegal retention prevents the Appellant from discharging its burden of proof under Section 155, rendering the Impugned OIO procedurally unjust and structurally flawed.

H. The Appellant relied on Affidavits from Dhiren Mandalia (prop of Rosata Corporate) and Jalpesh Solani (prop of Rich Brothers and director of Kalatit Enterprise Private Limited):

(i) The Appellant submitted the following Affidavits which were submitted during adjudication as well:

(a) Dhiren Mandalia, for stating that the Appellant transactions with Rosata Corporate are genuine.

(b) Jalpesh Solani, for stating that the Appellant's transactions with Kalatit Enterprise Pvt Ltd are genuine.

(c) Jalpesh Solani, for stating that the Appellant's transactions with Rich Brothers are genuine. A copy of above all three Affidavits has been submitted by the Appellant along with appeal documents.

(ii) It is important to emphasize that the statement of Mr. Dhiren Mandalia, Proprietor of M/s Rosata Corporate, which formed the substantial basis for the issuance of the Show Cause Notice, was retracted by Mr. Dhiren Mandalia vide his retraction statement. It is a settled position in law that a retracted statement, particularly not corroborated by independent and cogent evidence, cannot be accorded evidentiary value or form the foundation of proceedings. The continued reliance on such a statement, despite its retraction, is not only unjust but also contrary to the principles of natural justice. Therefore, the proceedings initiated solely on the basis of the retracted statement are liable to be set aside.

(iii) In his affidavit retracting his statement, Mr. Dhiren Mandalia has averred that two officers, accompanied by two armed police personnel, subjected him to an interrogation lasting approximately three hours. There he was compelled, under duress and a state of nervousness, to affix his signature to the statement without reading the same. The signature on the said statement was executed by him solely due to coercive circumstances prevailing at that time.

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(iv) Mere reliance on a retracted statement without supporting material fails the relevancy threshold envisaged under Section 136 of the CGST Act. The supplier affidavits constitute affirmative evidence that the transactions were genuine.

(v) Further, the Appellant submitted that the statements of Manoj Jain and Varun Jain were recorded under coercion/threat and an environment was created of fear of getting arrested. These facts were formally communicated to the Adjudicating Authority in their interim reply.

(vi) The Department's selective reliance on coerced statements while completely ignoring the seized purchase files and bank statements demonstrates gross administrative bias. If the Department continues to deny cross-examination, these statements must be wholly discarded from evidentiary consideration.

I. The Appellant submits that integrity of supply chain is established and ITC is justified.

(i) Contemporaneous records, including stock summaries, establish a direct nexus between the availed ITC and actual taxable outward supplies, defeating allegations of artificial ITC inflation. The FY 2018-19 stock summary successfully reconciles inward and outward stock quantities, proving physical movement of goods. The Department has not disputed the authenticity of the outward supplies. Since the outward leg of the supply chain is legally unchallenged, it unequivocally implies that the corresponding inward leg (purchases) is genuine and involved the physical receipt of goods.

J. The SCN and OIO have been issued solely on the basis of assumptions and presumptions. The SCN and OIO have completely ignored and bypassed the correct factual position.

(i) The impugned SCN and OIO seek to disallow the Input Tax Credit availed by the Appellant during the period April 2018 to March 2019, primarily on the basis of statements recorded from certain persons. In particular, reliance has been placed upon the statement of Mr. Sandeep Chaniyara dated 24.06.2019, wherein he allegedly stated that goods were sold to Polymer Group, which thereafter sold the same to the dealer group, and the dealer group, in turn, issued invoices to his firm without actual supply of goods.

(ii) Mr Sandeep Chaniyara in the above statement has clearly stated that they have supplied the goods to the distributor, Mr. Mansukhbhai (Polymer Group). The investigating officer did not extend the investigation at further end. The investigating officer solely relied upon the oral depositions only. It is submitted that subject SCN & OIO has been issued solely on the basis of assumptions and presumption of facts and without complete investigation of the facts and applicable legal provisions. The Appellant submits that SCN is the foundation for any adjudication proceedings and the proceedings are not sustainable if the allegations in the notice are vague or unclear or based on assumptions/presumptions or if all relevant documents are not considered while issuing

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the SCN. Besides this, the investigating officer did not conduct the stock verification at their premises. The refusal to allow cross-examination forces the conclusion that the SCN is based on legally irrelevant material and must be vitiated. In support of their contention they relied upon the following case laws:

(a) *CCE v. Brindavan Beverages (P) Ltd.* [2007 (213) ELT 487 (SC)]

(b) *Cyril Lasardo (Dead) v. Juliana Maria Lasarado* [2004 (7) SCC 431]

(c) *Asst. Commissioner, Commercial Tax Department v. Shukla & Brothers* [2010 (254) ELT 6 (SC)]

K. Without prejudice, even assuming without admitting that the purchases were not genuine, then no tax was payable. However, since the said amount of tax has already been paid by the Appellant in the present case, the same should be considered as a reversal of ITC.

(i) The Appellant submitted that Section 9 of the CGST Act mandates the levy of tax only on intra-state "supplies." It is submitted that assuming for a moment that the purchases made by the Appellant are not genuine and there was no movement of goods, then, in that case, there is no supply, and no tax was payable as the charging Section 9 of the CGST Act, 2017/ GGST Act, 2017 is not attracted. However, the Appellant have duly discharged their GST liability on the purchases and sales even which otherwise was not leviable. Thus, to the extent the amount had already been paid by the Appellant, the same may be considered towards setting off the demand raised in the impugned SCN. They have placed reliance on the decision of the Gujarat High Court in *Pranit Hem Desai v. Additional Director General* [2019 (30) GSTL 396 (Guj.)].

(ii) In light of the above, it is submitted that even if the allegation of the Department is assumed to be correct, in that case also there is no violation of Section 16 as the Appellant have duly discharged the tax liability which was otherwise not payable in that scenario which amounts to a reversal of credit allegedly wrongly availed. Thus, the entire situation is revenue neutral.

L. The impugned order has confirmed the demand under Section 74(1) of the CGST Act, which is invocable only in cases involving fraud, wilful misstatement, or suppression of facts with intent to evade tax. In the present case, no such element is established or attributable to the Appellant, and therefore invocation of Section 74(1) is wholly unsustainable in law. In this regard, they relied upon the following case laws:

(a) *Sheo Nath Singh v. Appellate Assistant Commissioner of Income Tax* [(1972) 3 SCC 234]

(b) *Parity Infotech Solutions Pvt. Ltd. v. Government of NCT of Delhi* [2023 (3) TMI 489]

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(c) Commissioner of Income Tax, Delhi v. Kelvinator of India Limited [(2010) 2 SCC 723]

(d) Commissioner of Income Tax-15 (Erstwhile Cit-IX) v. Shri Chintoo Tomar: 2014 SCC OnLine Del 7544

(e) Radha Krishan Industries v. State of Himachal Pradesh & Ors. (2021) 6 SCC 771

(i) However, in the present case, the Department had no material to form any opinion that the ITC had been wrongly availed by the Appellant. Concededly, the Adjudicating Authority had no material to form any independent opinion whatsoever. It is apparent that the subject show cause notice has been issued in a mechanical manner solely on the basis of the statement of one of the customers of the Appellant, without examining other relevant facts.

M. Buyer (Appellant) is not responsible for fraud of supplier, if any:

(i) As discussed above, the entire SCN is based upon the statements of the authorised persons of their suppliers. The investigating authority alleges that the alleged suppliers are involved in the clandestine removal of goods and accordingly supplied only invoices to the Appellant and did not provide the corresponding goods but the Appellant completely disagrees with the allegation. The Appellant has done the genuine business and accordingly has requested to provide the opportunity for cross-examine the witnesses. They relied upon the following case laws in support of their claim:

(a) Commissioner of Trade and Taxes Delhi v. Arise India Limited [2022 (60) G.S.T.L. 215 (S.C.)]

(b) The Assistant Commissioner (CT) v. Sri Vinayaga Agencies [2021 (2) TMI 1037]

(ii) The Appellant cannot be penalized for the unproven fraudulent acts of its suppliers.

N. ITC availed on inputs purchased by the Appellant cannot be denied as the Department has failed to produce substantive evidence.

(i) The impugned SCN proposes to demand and recover allegedly fraudulently availed ITC from the Appellant by merely relying on the investigation conducted at the end of third parties. In this regard, it is submitted that no investigation has been carried out by the Department at the end of Appellant. Despite becoming aware of the correct facts and availability of the documentary evidence, the Department has failed to effectively enquire/ investigate the Appellant to ascertain the truth. Hence, ITC cannot be denied by merely relying on the uncorroborated oral statements of third parties. In this regard, they relied upon the following case laws:

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- (a) Wanbury Ltd. v. Commissioner [2024 (16) Centax 133 (Tri.-Bom)]
 - (b) Narsinha Alloys Pvt. Ltd. v. Commissioner [2024 16 Centax 203]
 - (c) Sitaram Sao v. State of Jharkhand [(2007) 12 SCC 630]
 - (d) Kuber Tobacco Products Ltd. v. CCE, Delhi, 2013 (290) E.L.T. 545 (Tri. - Del.)
 - (e) Hindustan Machines v. CCE, Delhi, 2013 (294) E.L.T. 43 (Tri. - Del.)
 - (f) Pan Parag India Ltd. v. CCE, Kanpur, 2013 (291) E.L.T. 81 (Tri. - Del.)
- (ii) It is a settled legal position that documentary evidence prevails over oral evidence, as upheld in Manish Kumar Jain v. CC, Chennai [2008 (229) E.L.T. 266 (Tri. – Chennai)]; Nissan Copper Pvt. Ltd. v. CCE [2014 (313) E.L.T. 449 (Tri. - Ahmd.)] and G.S. Alloy Castings Ltd. v. CCE [2016 (331) E.L.T. 310 (Tri. - Bang.)]
- (iii) Similar propositions have been upheld in the following judgments as well:
- Santogen Textile Mills Ltd. v. CCE, Navi Mumbai, 2017 (347) ELT 581 (Bom.)
 - R.P Industries v. CC, Ahmedabad, 1996 (82) ELT 129 (Tribunal)
 - Raj Petroleum Products v. CCE, Mumbai-I, 2005 (192) ELT 806 (Tri. – Mumbai)
 - CCE, Mumbai-I v. Swan Mills Ltd., 2008 (225) E.L.T. 276 (Tri.-Mumbai)
 - Al-Futtaim Engineering v. CCE, Chennai, 2007 (219) E.L.T. 490 (Tri.-Bang.)
 - Dxn Herbal Mfg. (India) Pvt. Ltd. v. CCE, Pondicherry, 2006 (199) E.L.T. 533 (Tri.-Chennai)
 - Ishwarlal C. Surana v. CC, Madras, 2003 (162) E.L.T. 300 (Tri.- Chennai)
 - Mohd. Haroon v. UOI, 2010 (257) E.L.T. 347 (Del.)
- (iv) Therefore, it is submitted that sole reliance placed on the oral statements of third parties only for concluding that the Appellant has not received any goods or services during the disputed period is baseless and illogical. In view of the sufficient documentary evidence adduced by the Appellant, ITC claimed should not be recovered. In furtherance of the above submissions, Appellant humbly submits that it is a settled legal position that oral statements cannot be the sole basis for proving the clandestine activities; there has to be independent evidence corroborating such statements. In this regard, they placed reliance on the following case laws:
- (a) G.S. Alloy Castings Ltd. v. CCE, Guntur, 2016 (331) E.L.T. 310 (Tri. - Bang.)

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(b) Arvind Enterprises v. CCE, Delhi-IV, 2013 (296) E.L.T. 253 (Tri. - Del.)

(c) STI Industries v. CCE, Vapi, 2015 (325) E.L.T. 910

(v) It is submitted that it is very surprising that while making the case against the Appellant for non-receipt of tax-paid subject inputs, the Department did not even undertake an investigation at the end of Appellant and the Department did not even do the physical stock-taking of such subject inputs at the from inventory of the Appellant. If the Department's contention is to be accepted, then, there should have been a discrepancy in the physical stock of subject inputs. Thus, without producing any sort of evidence, either documentary or oral testimonies, for non-receipt of subject inputs, it is submitted that the finding of wrongful availment of ITC does not hold good. In this regard, they placed reliance on the following case laws:

(a) Adhikari Electromech Ltd. & Ors. v. CCE, Hyderabad, 2016 (6) TMI 912 – CESTAT HYDERABAD

(b) Sri Laxmi Industries & Anr. v. CCE, Hyderabad-IV, 2016 (6) TMI 823 – CESTAT HYDERABAD

(c) Raj Ratan Castings Pvt. Ltd. & Anr. v. CCE, Kanpur, 2016 (9) TMI 478 – CESTAT ALLAHABAD

O. The Appellant further contends that denial of ITC is in violation of the constitutional scheme (Articles 14 and 19)

(i) The SCN proposes the denial and recovery of ITC based purely on the presumption of non-receipt of goods. Section 74 of the CGST Act is applied here in a manner violative of Articles 14 and 19(1)(g) of the Constitution of India, as it arbitrarily deprives the Appellant of property (ITC) without instituting a factual verification mechanism.

(ii) In the absence of actual discrepancies in the Appellant's records, denying ITC strictly on uncorroborated oral statements is a constitutionally impermissible administrative overreach.

P. The Appellant argued that the burden of proof under Section 155 of the CGST Act is fully satisfied

(i) Section 155 places the burden of proving ITC eligibility on the claimant. The Supreme Court in State of Karnataka v. Ecom Gill Coffee Trading Pvt. Ltd. [(2023) 4 Centax 223 (S.C.)] enumerated the specific documents required to discharge this burden. Under this ruling, the purchasing dealer must produce names/addresses of sellers, vehicle transport details, freight payments, tax invoices, and payment particulars.

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(ii) The Appellant has systematically submitted all mandated documentation, thereby legally satisfying the burden of proof under Article 141 of the Constitution. Evidence provided includes ledgers, invoices with transport documents, and sample invoices (Exhibit-1 and Annexure 'Y'). Excel documentation detailing transport mapping and owned-conveyance (RC books, Exhibits 2 and 3) further substantiate the physical movement of goods.

(iii) The Supreme Court in Commissioner Trade and Tax v. M/s. Shanti Kiran India (P) Ltd. held that a bona fide recipient maintaining all required records cannot be deprived of ITC due to supplier defaults.

Q. The actions of the department are self-explanatory that the transactions conducted by the Appellant with these 5 (five) disputed suppliers during the relevant period under dispute were genuine.

(i) The Appellant has already demonstrated that the transactions undertaken with the alleged suppliers were genuine and bona fide. In support thereof, the Appellant furnished affidavits of the authorised representatives of Kalatit Enterprise Pvt. Ltd., Rich Brothers, and Rosata Corporate. Additionally, the Appellant specifically requested an opportunity to cross-examine all witnesses relied upon by the department.

(ii) Official portal records (Annexure 'Z') demonstrate that the GST registrations of all the disputed suppliers were fully active during the disputed period.

(iii) The registrations of three suppliers were cancelled on the application of the taxpayers themselves.

(iv) Under Section 29(2) of the CGST Act, the Department possessed the power to cancel registrations retrospectively. However, the Department knowingly cancelled them for dates falling after the FY 2018-19 disputed period. This administrative decision ratifies the operational validity of these suppliers during the relevant time.

(v) For the remaining two suppliers subjected to suo moto cancellation, the Department similarly chose not to cancel them entirely from inception, establishing an evidentiary presumption that they conducted licit business during FY 2018-19.

(vi) Cancellations initiated by taxpayers strongly contradict the Department's narrative of clandestine, non-existent entities.

R. The department cannot conclude that the transporters, namely Kanha Roadways and Jalaram Transport, were non-existent merely because the summons issued to them were returned undelivered.

(i) The Department alleges two transporters (Kanha Roadways & Jalaram Transport) are non-existent based on an informal "visit note" lacking a Document Identification Number (DIN). The Department failed to draw a formal Panchnama at the transporter

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premises in the presence of independent witnesses, violating standard investigative protocols. Informal visit notes possess no evidentiary credibility. Furthermore, the mere fact that a summons was returned undelivered does not legally render an entity "non-existent."

S. The inordinate delay on the part of the investigating authority in issuance of the Show Cause Notice itself demonstrates the absence of cogent and corroborative evidence on record.

(i) The investigation concluded in FY 2019-20, yet the SCN was delayed by nearly four years, issued only on 09.02.2024. Summons to transporters were bizarrely issued in 2022 without copies being provided.

(ii) There is no justifiable reason for a four-year delay to issue an SCN relying solely on oral statements obtained years prior, without adducing new documentary evidence.

T. The Appellant submits that interest is not recoverable under Section 50 of the CGST Act. Section 50 of the CGST Act imposes compensatory interest exclusively where there is a substantive, legally valid short payment of tax or wrongful utilization of ITC. Because the primary tax demand is unsustainable, the interest demand falls away.

U. Penalty is not imposable under Section 74(1) of the CGST Act. Penalties under Section 74(1) are strictly accessory to the determination of underlying tax evasion. Since the primary tax demand is invalid, the penalty cannot be imposed. There exists no evidence of mens rea, suppression of facts, or intent to evade tax. As all due taxes have been legitimately discharged and no ITC reversal is warranted, the imposition of a penalty is legally impermissible.

PERSONAL HEARING:

6. A personal hearing in the matter was held on 18.03.2026. Shri Nilesh Jain, Chartered Accountant, appeared for personal hearing on behalf of the appellant in virtual mode. During the hearing, he reiterated and explained the submissions made by them in grounds of appeal. During the hearing, he also submitted that he will submit a brief summary of the submission within a week's time. He requested to consider their submissions and allow the appeal.

6.1 Subsequently, the Appellant submitted a summary of submissions made by them, wherein it reiterated the submissions made by them in the appeal memorandum in brief.

DISCUSSION AND FINDINGS:

7. Both the Central Goods and Service Tax Act, 2017 (CGST Act) and the Gujarat Goods and Service Tax Act, 2017 (GGST Act) contain the same provisions, except in a few respects. Unless I specifically point out a difference, any reference in this order to the CGST Act also means the same provision under the GGST Act. Further, Section 20 of the

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IGST Act, 2017 applies the provisions of the CGST Act, *mutatis mutandis*, to integrated tax as well.

8. I have examined the case record, the Appeal Memorandum, the submissions made at the personal hearing, the applicable statutory provisions, and the documents on file.

9. The Appellant filed this appeal online against the impugned order dated 10.12.2025, which was communicated to it through DRC-07 dated 11.12.2025. The appeal was filed on 21.01.2026, which is within the three-month period allowed under Section 107 of the CGST Act, 2017. I therefore hold that the appeal is within the statutory time limit.

10. The impugned order confirmed a demand amounting to **Rs.2,61,93,359/-**, appropriated an amount of **Rs.70,00,000/-** already paid by the Appellant and ordered recovery of the balance amount of **Rs.1,91,93,359/-**. On verification of the GST APL-01 form, I find that the Appellant has paid a pre-deposit of **Rs.19,19,336/-**, being 10% of the remaining amount. The Appellant has therefore duly complied with the condition of payment of pre-deposit as prescribed under Section 107 of the CGST Act, 2017 read with Rule 108 of the CGST Rules, 2017, and I proceed to decide it on merits.

11. The issue to be decided is whether the demand amounting to **Rs.2,61,93,359/-** [CGST: Rs.1,30,96,680/-; SGST: Rs.1,30,96,680/-] confirmed under Section 74(9) of the CGST Act, 2017, along with interest under Section 50 of the CGST Act, 2017, and the penalty of **Rs.2,61,93,359/-** [CGST: Rs.1,30,96,680/-; SGST: Rs.1,30,96,680/-] imposed under Section 122(2)(b) of the CGST Act, 2017, is correct, legal, and proper on the facts of the case.

12. In the present case, the expression “fake firm” is used synonymously with terms such as fake entity, bogus firm, bogus entity, non-existent firm, paper firm, shell entity, non-genuine entity, and similar descriptions.

12.1 At the outset, I find that the Appellant has not disputed that ITC of Rs.2,61,93,359/- was availed in respect of invoices issued by M/s. Rosata Corporate, M/s. Kalatit Enterprise Pvt. Ltd., M/s. Rich Brothers, M/s. Chaniyara E-Commerce and M/s. Chaniyara Corporate. The dispute essentially relates to the genuineness of the underlying transactions and, particularly, whether the goods covered by the said invoices were actually received by the Appellant. The investigation recorded that the five entities were being operated as dummy/non-operational concerns for issuance of invoices without corresponding movement of goods. The aggregate taxable value involved was Rs.14,55,18,663/- and the corresponding ITC was Rs.2,61,93,359/-.

13. On perusal of the Show Cause Notice, it is seen that a detailed investigation was carried out by the officers of the Anti-Evasion wing, CGST Rajkot Commissionerate. On examination of the available records, the investigation has revealed the following facts:

13.1 An investigation was initiated against a group of entities including M/s. Rosata Corporate, M/s. Kalatit Enterprise Pvt. Ltd., M/s. Rich Brothers, M/s. Chaniyara E-Commerce and M/s. Chaniyara Corporate. The investigation revealed that these entities were dummy/non-operational concerns engaged in issuance of invoices without actual movement of goods.

13.2 In his statement dated 11.09.2018, Shri Dhiren Mandalia, Proprietor of M/s. Rosata Corporate, inter alia, stated that apart from M/s. Rosata Corporate, he was also associated as director with (i) M/s. Kalatit Enterprise Pvt. Ltd., Jamnagar, (ii) M/s. Destined Corporate Pvt. Ltd., Jamnagar, and (iii) M/s. Chaniyara E-Commerce, Jamnagar; that M/s. Rosata Corporate was just a dummy unit; that all their purchase and sale invoices were fraudulent since no actual delivery was effectuated under those invoices. He further stated that Shri Jalpesh Solani and Shri Gaurav Chaniyara were the other two directors of M/s. Kalatit Enterprise Pvt. Ltd., Jamnagar, which was also a dummy company, engaged in issuance of bogus invoices; that he and Shri Jalpesh Solani were the two directors of M/s. Destined Corporate Pvt. Ltd., Jamnagar, which was also a dummy company engaged in issuance of bogus invoices.

13.3 In his statement dated 17.09.2018, Shri Gaurav Chaniyara, inter alia, stated that the companies and firms floated by them operated in two ways: (i) by purchasing retail bills from retailers and then issuing bills to entities interested in claiming GST credit and (ii) by raising fake bills for receiving cash component of under-billed/without billed sales made by other firms/companies. During the statement, he explained the modus operandi of their "business of billing" in detail. He stated that the sole purpose of setting up the dummies was to facilitate the circulation of unaccounted money by means of either raising fake documents viz. Invoices, Lorry Receipts, etc. or by sales of invoices to pass on ITC. He further stated that the entire model was masterminded by his brother Shri Sandeep Chaniyara.

13.4 In his statement dated 17.09.2018, Shri Sandeep Chaniyara, inter alia, stated that M/s. Rosata Corporate, M/s. Chaniyara E-Commerce, and M/s. Chaniyara Corporate were dummy firms actually involved in business of bogus billing whereby mere invoices were issued in lieu of commission, without any underlying movement of goods or provision of services; that he was in actual control of M/s. Rosata Corporate, Jamnagar despite Shri Dhiren Mandalia being the legal proprietor; that they had received Rs. 200 Crores (approx.) from clients of Morbi Units in the bank accounts of the dummy firms controlled by him. He completely agreed to the modus operandi revealed by his brother, Shri Gaurav Chaniyara, in his statement dated 17.09.2018.

13.5 In another statement dated 24.06.2019, Shri Sandeep Chaniyara, inter alia, stated that in their business of "business billing", they had neither actually received any goods nor actually supplied any goods. He further admitted that they had business dealings with the Appellant i.e. M/s. Aditya Ultra Steel for previous 2 years; that they had issued only invoices to the Appellant and none of his firms were involved in actual supply of goods to

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the Appellant; that the Appellant intended to bring about an IPO and for that purpose, wanted to manipulate its balance sheets and accordingly, wanted fake invoices at rates dictated by it; that he was in direct contact with Shri Manoj Jain through mobile calls; that although he could not confirm the exact amount of fraudulent ITC passed on to the Appellant, he could confirm that none of their group dummy companies had ever made any actual supply to the Appellant. He further explained the modus operandi of their dealings with the Appellant in detail.

13.6 In another statement dated 02.07.2019, Shri Sandeep Chaniyara, inter alia, stated that in cases where the customers desired E-Way bills, he also generated them on paper but never actually effectuated any movement of goods under them. He also provided a list of all the dummy firms in the group set up, operated, and controlled by him, which includes all the aforesaid 5 firms.

13.7 In his statement dated 09.07.2019, Shri Manoj Kumar Jain, Authorised person of the Appellant, inter alia, stated that he was the “managing person” and all the affairs of the company were controlled according to his directions, on consent of his son Shri Varun Jain; that they were dealing with the aforesaid 05 firms through Shri Sandeep Chaniyara; that they were in personal contact with Shri Sandeep Chaniyara; that they have not received any goods against invoices received from the aforesaid 05 firms as the invoices were only paper transactions for taking ITC; that he agreed with wrongfully availed and utilized ITC amounting to Rs.2,61,93,359/- and further agrees to discharge the liability thereof in tranches due to financial crunch in the company.

13.8 Additionally, the investigation was extended to verification of transporters concerned with various supplies shown by the aforesaid 05 non-operational dummy firms. During investigation, it found that the lorry receipts were issued by 02 transporters viz. M/s. Kanha Roadways, Jamnagar and M/s. Jalaram Transport, Jamnagar only. Upon physical verification of the said 02 transporters, vide visit Note dated 01.02.2022 it was found that the said transporters were non-existent at their declared place of business. I also note that Shri Dhiren Mandalia in his statement dated 11.09.2018 in reply to a specific question, regarding 2 LR books in name of Jalaram Transport and Kanha Roadways found from the premises of M/s. Rosata Corporate, he inter alia admitted that these LRs are fake and they have created these fake LRs just to attach to their fake invoices.

13.9 Further, during investigation on verification of the online E-Way Bill portal, it did not show any movement of goods under the E-Way Bills submitted by the Appellant and thus it appeared that the E-Way Bills were only generated but no corresponding goods were supplied on the strength of the same. I also note that Shri Sandeep Chaniyara in his statement dated 02.07.2019, inter alia, admitted that in cases where the customers desired E-Way bills, he also generated them on paper but never actually effectuated any movement of goods under them.

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13.10 On the basis of the aforesaid investigation, it emerged that the Appellant had availed Input Tax Credit (ITC) on the strength of invoices without actual receipt of the corresponding goods and that the transactions appeared to be paper/circular transactions. On scrutiny of the documents available on record, it was noticed that the Appellant had availed ITC amounting to Rs.2,61,93,359/- during FY 2018-19 on the basis of invoices issued by five allegedly non-operational/dummy firms, namely, (i) M/s. Rosata Corporate, (ii) M/s. Kalatit Enterprise, (iii) M/s. Rich Brothers, (iv) M/s. Chaniyara E-Commerce, and (v) M/s. Chaniyara Corporate.

14. It is noted that the Appellant has raised certain contentions in the grounds of appeal. The Appellant has broadly contended that they have complied with all the conditions prescribed under Section 16 of the CGST Act, 2017 and have correctly availed the Input Tax Credit. The Appellant has claimed that the purchases were genuine, goods were physically received, GST was duly paid by the suppliers, and all requisite documents, including tax invoices and bank payments through RTGS/NEFT, transport documents, stock register, etc. were maintained. They have further contended that the suppliers were existing entities at the relevant time and that, being a bona fide purchaser, they cannot be held liable for any default committed by the suppliers. Additionally, the Appellant has asserted that the impugned order does not provide any corroborative evidence to establish that the goods purchased from their suppliers were not actually received and that the onus to prove non-receipt of goods lies with the Department.

14.1 I note that these issues are interlinked; accordingly, I proceed to examine them in detail below.

15. I note that Section 16(2) of the CGST Act, 2017 mandates the satisfaction of four cumulative conditions for availment of ITC, namely: (a) possession of a valid tax invoice; (b) actual receipt of goods or services; (c) tax paid to the government and (d) filing of returns. In the present case, the Appellant produced invoices, lorry receipts, E-Way Bills and weighment slips. The investigation found these documents unreliable. The lorry receipts stand in the names of two transporters found non-existent at their declared premises. The E-Way Bill portal shows no movement under the E-Way Bills produced. No credible record of transport, vehicle movement or freight payment establishes actual movement of goods under the disputed invoices. Shri Manoj Kumar Jain, Authorised person of the Appellant, in his statement dated 09.07.2019, has categorically admitted that no goods were ever received and that only invoices were received by him. He has further admitted to discharge the liability thereof in tranches due to financial crunch in the company.

15.1 I further note that, during the course of investigation, the statements of the following persons associated with the supplier firms were recorded:

- (a) Shri Dhiren Mandalia, Proprietor of M/s. Rosata Corporate and director of (i) M/s. Kalatit Enterprise Pvt. Ltd., Jamnagar, (ii) M/s. Destined Corporate Pvt. Ltd.,

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Jamnagar, and (iii) M/s. Chaniyara E-Commerce, Jamnagar in his statement dated 11.09.2018, categorically admitted that all their purchase and sale invoices were fraudulent since no actual delivery was effectuated under those invoices.

- (b) Shri Sandeep Chaniyara, in his statement dated 17.09.2018, categorically admitted that M/s. Rosata Corporate, M/s. Chaniyara E-Commerce, and M/s. Chaniyara Corporate were dummy firms, actually involved in business of bogus billing whereby mere invoices were issued in lieu of commission, without any underlying movement of goods or provision of services. In his statement dated 24.06.2019, he further admitted that they had issued only invoices to the Appellant and that none of his firms was involved in actual supply of goods to the Appellant.
- (c) Shri Sandeep Chaniyara, in his statement dated 02.07.2019, clearly stated that in cases where the customers desired E-Way bills, he also generated them on paper but never actually effectuated any movement of goods under them.

15.2 On the basis of the above, I find that the Appellant was actively involved in a network of firms engaged in large-scale GST fraud by procuring fake invoices to manipulate ITC claims and evade taxes. Evidence from e-way bill portal, visit note at transporter premises, the confessional statements of Shri Dhiren Mandalia and Shri Sandeep Chaniyara, persons connected with the supplier firms, and the confessional statement of Shri Manoj Kumar Jain, Authorised Person of the Appellant, establish that ITC was fraudulently availed without the actual receipt of goods.

15.3 Section 155 places on the Appellant the burden of proving its eligibility to ITC. The Appellant relies on invoices, bank payments, lorry receipts, E-Way Bills and stock records. These documents do not discharge the burden. The lorry receipts name non-existent transporters. The E-Way Bills show no movement. Shri Sandeep Chaniyara stated that the bank payments were returned to the Appellant in cash after deducting commission. The Appellant has produced no independent proof of receipt, such as freight paid to a verifiable transporter, toll records or goods receipt notes. The burden therefore remains undischarged.

15.4 In view of the aforesaid facts on record, I concur with the findings of the Adjudicating Authority that the Appellant did not actually receive any goods but merely received invoices on the strength of which it fraudulently availed Input Tax Credit (ITC). Consequently, the condition under clause (b) of **Section 16(2) of the CGST Act, 2017** — i.e., **receipt of goods** — remains unfulfilled. As a result, the entire ITC claimed by the Appellant on fake invoices, as detailed in the impugned order, stands vitiated and amounts only to a paper transaction devoid of any legal sanctity.

15.5 In light of the above facts, I find no merit in the Appellant's contention that they complied with all conditions under Section 16 of the CGST Act, 2017 and correctly availed ITC. Their claims that the purchases were genuine, goods were received, GST was paid by the suppliers, and requisite documents—including tax invoices, stock register and

RTGS/NEFT payments—were maintained, are manifestly false, as the records were fabricated and payments routed through RTGS/NEFT were returned in cash to conceal the fraudulent availment and transfer of ITC. The Appellant's further claim that, as a bona fide purchaser, it cannot be held liable for supplier defaults is equally untenable in view of its complicity in the fraudulent activities discussed supra.

15.6 I also find that it is conclusively established that the Appellant indulged in availing inadmissible ITC without any actual receipt of the underlying goods. Consequently, the Appellant's contention that the impugned order lacks corroborative evidence to establish non-receipt of goods, and that the onus to prove such non-receipt rests with the Department, is wholly untenable.

16. My above findings are reinforced and supported by the precedents established in the following judgments of judicial fora:

16.1 The Hon'ble Supreme Court of India, in its judgment dated 13.03.2023 in Civil Appeal No. 230/2023 (arising from SLP (Civil) No. 2572/2022), **State of Karnataka v. M/s Ecom Gill Coffee Trading Private Limited**, held that:

"In absence of any further cogent material like furnishing the **name and address of the selling dealer, details of the vehicle which has delivered the goods, payment of freight charges, acknowledgement of taking delivery of goods, tax invoices and payment particulars etc. and the actual physical movement of the goods by producing the cogent materials**, the Assessing Officer was absolutely justified in denying the ITC, which was confirmed by the first Appellate Authority. Both, the second Appellate Authority as well as the High Court have materially erred in allowing the ITC despite the concerned purchasing dealers failed to prove the genuineness of the transactions and failed to discharge the burden of proof as per section 70 of the KVAT Act, 2003. The impugned judgment(s) and order(s) passed by the High Court and the second Appellate Authority allowing the ITC are unsustainable and deserve to be quashed and set aside and are hereby quashed and set aside. The orders passed by the Assessing Officer denying the ITC to the concerned purchasing dealers, confirmed by the first Appellate Authority are hereby restored."

Although the aforesaid judgment relates to the **VAT regime**, the **principle is equally applicable** under the CGST Act, 2017, since Section 155 of the CGST Act also casts the burden of proof entirely upon the taxpayer claiming ITC.

16.2 The Hon'ble Patna High Court, in its judgment in **Aastha Enterprises v. State of Bihar, 2023-VIL-546-PAT**, held that sub-section (1) of Section 16 of the CGST Act, 2017 deals with the eligibility of a registered person to avail Input Tax Credit on any supply of goods or services or both, used or intended to be used in the course or furtherance of business, and such credit is to be credited to the electronic credit ledger of such person. The conditions enabling such availment are set out in clauses (a), (b), and (c) of sub-section (2) of Section 16, namely: possession of a tax invoice or debit note issued by the supplier; proof of actual receipt of goods or services or both; and proof that the tax charged

in respect of such supply has been actually paid to the Government, either in cash or through utilization of admissible ITC. The Hon'ble High Court emphasized that these conditions are **cumulative** and **must be satisfied together**, not independently or in isolation. ITC, by its very nature, presupposes that the supplier has discharged tax liability, which alone creates a corresponding credit for the purchasing dealer. The Court further held that satisfying the conditions under Section 16(2) is the burden of proof cast upon the purchasing dealer who claims ITC — a statutory concession sustained only upon compliance with the express requirements of law. If the statutory conditions are not met, no benefit can accrue to the claimant. Thus, the Hon'ble High Court laid down an unambiguous principle that the conditions mentioned in Section 16 of the CGST Act must be **satisfied in seriatim** with reference to **clauses (a), (b), and (c) of sub-section (2)**, and the **burden of proof lies on the recipient**.

16.3 The Hon'ble Allahabad High Court in its judgment in **Shiv Trading v. State of U.P., 2024 (80) G.S.T.L. 121 (All.)**, categorically held that failure to substantiate the genuineness of transactions and the actual movement of goods justifies initiation of proceedings under Section 74 of the CGST Act, 2017. The Hon'ble High Court, while dismissing the writ petition, upheld the findings of the tax authorities and reaffirmed that the burden lies on the taxpayer to prove the legitimacy of the transactions. In the present case, since the appellant has failed to furnish any credible evidence demonstrating the **actual receipt and supply of goods**, the ratio of this decision applies squarely, and the proceedings under Section 74 were rightly initiated. The Special Leave Petition (SLP) filed against the said decision was dismissed by the Hon'ble Supreme Court, as reported in **2025 (92) G.S.T.L. 225 (S.C.)**.

17. It is further observed that the Appellant has raised certain other contentions in the grounds of appeal. I now discuss the same one by one.

18. The Appellant contended that the statement of Mr. Dhiren Mandalia, Proprietor of M/s Rosata Corporate, which formed the substantial basis for the issuance of the Show Cause Notice, was retracted by Mr. Dhiren Mandalia by a sworn statement dated 18.09.2018. The Appellant has also submitted three Affidavits, as mentioned below:

(a) Affidavit dated 16.05.2024 of Dhiren Mandalia, stating that the Appellant transactions with Rosata Corporate are genuine.

(b) Affidavit dated 18.05.2024 of Jalpesh Solani, stating that the Appellant's transactions with Kalatit Enterprise Pvt Ltd are genuine.

(c) Affidavit dated 18.05.2024 of Jalpesh Solani, stating that the Appellant's transactions with Rich Brothers are genuine. A copy of above all three Affidavits has been submitted by the Appellant along with appeal documents.

18.1 It is noticed that Shri Dhiren Mandalia in his sworn statement dated 18.09.2018, inter alia, stated that he was compelled under duress to affix his signature to the statement

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without reading the same. However, on perusal of the case records, it is observed that Shri Dhiren Mandalia never submitted a copy of that sworn statement dated 18.09.2018 to the officers who investigated the case or to any other authority.

18.2 It is also noted that the investigation against them was ongoing at the relevant time. Despite this, Shri Dhiren Mandalia did not submit any retraction or affidavit before the investigating authority concerned. Although dated 18.09.2018, a week after the statement, the retraction surfaced for the first time during the adjudication proceedings, years later. A retraction never communicated to the authority that recorded the statement cannot displace that statement. It is an afterthought and carries little evidentiary value.

18.3 As regards the three affidavits of May 2024, I note that they were made after issuance of the Show Cause Notice dated 09.02.2024. I also note that both deponents, Shri Dhiren Mandalia and Shri Jalpesh Solani, in their statements dated 11.09.2018 and 17.09.2018 respectively (paras 2.2–2.3 and 13.2 above), categorically admitted that their firms had never supplied any goods and only raised invoices. In view of the said clear and voluntary admissions made by Dhiren Mandalia **and** Jalpesh Solani, I find that such Affidavits are an afterthought by the deponents to escape the liability arising from the investigation carried out by the department. Thus, I find that the Appellant's plea — that retracted statement, particularly not corroborated by independent and cogent evidence, cannot be accorded evidentiary value — does not apply on these facts and is devoid of merit.

18.4 The appellant has relied heavily upon affidavits/retractions furnished by Shri Dhiren Mandalia and Shri Jalpesh Solani asserting genuineness of the transactions. However, I note that a retraction is required to be examined along with the original statement and the surrounding corroborative material. A subsequent retraction / affidavit does not automatically erase the earlier statement from the evidentiary record. Its weight depends upon the circumstances in which it was made, its timing, the reasons assigned, and whether the original statement is independently corroborated.

18.5 In the present case, the original statements of the concerned persons are not standing in isolation. Their broad description of the modus operandi finds support from the subsequent investigation concerning the transporters and E-Way Bills. The Adjudicating Authority was therefore justified in preferring the contemporaneous statements recorded during investigation when they were consistent with other objective material, rather than accepting the later Affidavits as conclusive proof of genuineness.

19. The Appellant has contended that the original Show Cause Notice (SCN) dated 09.02.2024 was issued by the Deputy Commissioner despite the amount involved exceeding his prescribed monetary jurisdiction, and that this jurisdictional defect could not be subsequently cured by the corrigendum dated 25.06.2025 issued by the Additional Commissioner. I have carefully considered this contention. In this regard, I observe that the proceedings had already been initiated by the issuance of the original SCN dated

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09.02.2024 and were not initiated afresh by the corrigendum dated 25.06.2025. That SCN set out the substantive allegations of wrongful availment of ITC. A single corrigendum dated 25.06.2025, issued by the Additional Commissioner (AE), CGST HQ, Rajkot, revised the demand to the gross amount of Rs.2,61,93,359/-, proposed appropriation of Rs.70,00,000/- and made the notice answerable to the Joint/Additional Commissioner.

19.1 The SCN dated 09.02.2024 proposed recovery of the net ITC amounting to Rs. 1,91,93,359/- [CGST: Rs. 95,96,679/-; SGST: Rs. 95,96,679/-], after excluding Rs. 70,00,000/- already paid during the course of investigation. This is also consistent with the provisions of Section 74(6) of the CGST Act, 2017, which provide that no notice shall be issued in respect of the tax already paid in accordance with Section 74(5) of the said Act. The net figure was therefore consistent with the statute. Its CGST portion of Rs.95,96,679/- fell within the monetary limit of the Deputy Commissioner under Circular No. 31/05/2018-GST dated 09.02.2018. It was the Appellant that objected to the net figure. Its reply dated 23.01.2025, as recorded in para 8 of the impugned order, stated:

“They argue that the SCN has been issued without proper authority because the department wrongly adjusted a payment of Rs.70,00,000 (made under protest) against the demand without giving an opportunity of being heard. The Noticee had also requested rectification of this error through a formal letter, but the department did not respond. According to the Noticee, the SCN should have reflected the gross demand of Rs.2,61,93,360 instead of the reduced net amount.

The Noticee further contends that the officer who issued the SCN lacked the jurisdiction to do so, based on the monetary limits prescribed under Circular No. 31/05/2018-GST. Since the correct demand amount exceeded Rs.1 crore, the SCN should have been issued by a Joint or Additional Commissioner, not a Deputy Commissioner.”

The corrigendum dated 25.06.2025 gave the Appellant what it sought. It revised the demand to the gross figure. It made the notice answerable to the Joint/Additional Commissioner. The Additional Commissioner (AE), CGST HQ, Rajkot, an officer competent for amounts above Rs.1 crore, issued it. The period, the suppliers, the allegations and the provisions invoked remained unchanged. Even if the corrigendum is read as a fresh notice, a competent officer issued it on 25.06.2025, within the time limit under Section 74(2) discussed in para 20 below. The Appellant was heard on 11.09.2025, after the corrigendum. It suffered no prejudice. Having sought the gross demand, the Appellant cannot now assail the corrigendum that granted it. The proposition that the corrigendum amounted to a fresh SCN, or that the proceedings stood extinguished because the corrigendum followed the reply, is therefore not acceptable.

19.2 I find that the reliance placed by the Appellant on decisions concerning impermissible alteration of a show cause notice is also distinguishable. A distinction has to be maintained between a corrigendum which materially changes the nature of the proceedings or introduces a new case after expiry of limitation and a corrigendum which

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clarifies/corrects the amount proposed and appropriately reflects the amount already paid during investigation. In the present matter, the substantive allegation, period, disputed suppliers and statutory basis of the demand remained unchanged. I therefore hold that the corrigendum did not invalidate the proceedings and the contention of the Appellant in this regard is not tenable.

20. The Appellant has further contended that the corrigendum dated 25.06.2025 was issued beyond the prescribed time limit and, therefore, could not rectify the alleged defect in the original SCN. I find that this contention is based on the assumption that the original SCN was invalid. As discussed above, I do not find the original proceedings to be void merely on account of the subsequent clarification of the demand and appropriation. The due date for filing the annual return for FY 2018-19 was extended to 31.12.2020. Under Section 74(10), the order had to be issued within five years of that date, that is, by 31.12.2025. Under Section 74(2), the notice had to be issued at least six months before that limit, that is, by 30.06.2025. Ground B(i) of the Appellant itself accepts 30.06.2025 as the outer limit. The SCN dated 09.02.2024, the corrigendum dated 25.06.2025 and the impugned order dated 10.12.2025 all fall within these limits. The SCN invoked Section 74 on allegations of fraud, wilful misstatement and suppression of facts. Section 74 expressly covers cases where ITC has been wrongly availed or utilised by reason of fraud, wilful misstatement or suppression of facts with intent to evade tax.

20.1 Further, the Appellant's own case acknowledged that the investigation had commenced much earlier and that the disputed ITC, payments and statements formed part of the investigation record. The mere lapse of time between the investigation and issuance of the SCN does not, by itself, establish that the SCN is barred by limitation. What is material is whether the statutory period applicable to issuance of notice was complied with. I therefore find no merit in the general objection that the delay in issuance of the notice, by itself, renders the proceedings unsustainable.

21. The Appellant has contended that the statements recorded during 2018-2019 cannot be relied upon because Section 70(1A) was introduced subsequently. This contention is legally misconceived. The statements in question were recorded under Section 70 of the CGST Act, 2017 at the relevant time. Section 70(1) itself empowered the proper officer to summon any person whose attendance was considered necessary to give evidence or produce documents in an inquiry. Therefore, the subsequent insertion of sub-section (1A) cannot retrospectively invalidate statements which were otherwise lawfully recorded under the then-existing statutory provision.

21.1 The Appellant's attempt to treat Section 70(1A) as the source of the original power to record statements is therefore misplaced. The evidentiary worth of the statements has to be examined on the basis of their contents, consistency, surrounding circumstances and corroboration available on record, rather than by applying a provision introduced subsequently to proceedings which had already taken place.

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21.2 The Appellant further contends that Section 136 confines statements recorded under Section 70 to prosecution, and that such statements cannot be used in adjudication unless the deponents are examined. I do not agree. Section 136 prescribes when such a statement becomes relevant for proving the truth of its contents in a prosecution. It does not bar an adjudicating authority from considering the statement as evidence in proceedings under Section 74. Adjudication is not bound by the strict rules of the Indian Evidence Act. The weight of a statement in adjudication depends on its corroboration. Here, the transporter verification, the E-Way Bill verification and the admission of the Appellant's own managing person corroborate the statements. The contention fails.

22. The Appellant contended that the SCN and OIO has been issued solely on the basis of assumptions and presumptions and only on the basis of the third party statements.

22.1 In this regard, I note that the investigation is not founded upon the statement of one isolated individual. The record contains statements of Shri Dhiren Mandalia, Shri Jalpesh Solani, Shri Gaurav Chaniyara and Shri Sandeep Chaniyara, who were connected with the entities under investigation. Shri Dhiren Mandalia stated that M/s. Rosata Corporate was a dummy unit and that purchase and sale invoices were being issued without actual delivery. He further connected M/s. Kalatit Enterprise Pvt. Ltd. and other entities with the same arrangement.

22.2 Similarly, Shri Jalpesh Solani stated that M/s. Chaniyara E-Commerce, M/s. Kalatit Enterprise Pvt. Ltd., M/s. Destined Corporate Pvt. Ltd. and M/s. Rich Brothers were dummy firms engaged in issuance of fake documents, including invoices and lorry receipts. Shri Gaurav Chaniyara also described the manner in which entities were used for purchase of retail bills and issuance of invoices to persons interested in claiming GST credit.

22.3 More importantly, the investigation did not stop at recording these statements. The statements were examined alongside the transport documents, E-Way Bills and subsequent verification of the transporters. The investigation found that the lorry receipts relied upon by the Appellant were issued by M/s. Kanha Roadways and M/s. Jalaram Transport; physical verification subsequently found these transporters non-existent at their declared places of business, while summons issued to them were returned with the endorsement "address not found". I also note that Shri Dhiren Mandalia in his statement dated 11.09.2018 inter alia admitted that the LRs in name of Jalaram Transport and Kanha Roadways found from the premises of M/s. Rosata Corporate are fake and they have created these fake LRs just to attach to their fake invoices. The investigation also recorded that the E-Way Bill portal did not show corresponding movement against the E-Way Bills produced by the appellant.

22.4 Thus, the case against the Appellant is not based merely upon an uncorroborated oral statement. There is a cumulative evidentiary chain consisting of: (i) statements of

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persons connected with the supplier entities; (ii) identification of the supplier entities as dummy/non-operational concerns; (iii) absence of corresponding physical movement reflected in the E-Way Bill verification; (iv) adverse verification of the transporters; and (v) the Appellant's own statement dated 09.07.2019 acknowledging that no goods had been received against the disputed invoices and that the transactions were paper transactions for availing ITC. The last factor is of particular significance.

22.5 Shri Manoj Kumar Jain, who admittedly stated that he was the person managing the affairs of the appellant, specifically stated on 09.07.2019 that the appellant had not received goods against the invoices issued by the five firms and that the invoices represented paper transactions for taking ITC. He further agreed with the amount of wrongly availed and utilised ITC and expressed willingness to discharge the liability in instalments.

22.6 The Appellant contends that only the statement of Shri Sandeep Chaniyara refers to it, and that only ITC of Rs.17,71,434/- on invoices of M/s. Chaniyara E-Commerce and M/s. Chaniyara Corporate can be linked to it. The record does not support this. On 17.09.2018, Shri Sandeep Chaniyara stated that he was in actual control of M/s. Rosata Corporate. On 24.06.2019, he stated that none of the group's dummy companies had ever made any actual supply to the Appellant. On 02.07.2019, he listed all five suppliers among the dummy firms set up and controlled by him. Shri Dhiren Mandalia and Shri Jalpesh Solani identified M/s. Rosata Corporate, M/s. Kalatit Enterprise Pvt. Ltd. and M/s. Rich Brothers as dummy firms. Above all, Shri Manoj Kumar Jain admitted on 09.07.2019 that the Appellant received no goods against the invoices of all five firms. The evidence therefore covers the entire ITC of Rs.2,61,93,359/-, not merely 6.76% of it.

22.7 The Appellant objects that the visit note dated 01.02.2022 bears no DIN and that no panchnama was drawn. A visit note records the outcome of a verification. It is not a search, and Section 67 does not require a panchnama for it. The DIN requirement under Circular No. 122/41/2019-GST dated 05.11.2019 applies to communications such as search authorisations, summons, arrest memos and inspection notices; an internal record of verification is not such a communication. In any case, the finding does not rest on the visit note alone. The summons to both transporters returned with the remark "address not found". Shri Dhiren Mandalia admitted that the lorry receipts in their names were fake and prepared to support fake invoices. The objection does not dislodge the finding.

23. The Appellant alleges that the statements of Shri Manoj Kumar Jain and Shri Varun Jain were recorded under coercion and threat of arrest. The allegation is unsupported by evidence. The record shows no retraction by either person before the investigating authority. The allegation surfaced only in the reply to the SCN, years later. The Appellant's own conduct belies it. On 09.07.2019, Shri Manoj Kumar Jain undertook to discharge the liability in tranches. The Appellant then paid Rs.70,00,000/- in five instalments between 09.07.2019 and 05.09.2022. This conduct is consistent with a voluntary statement. In any event, an allegation of coercion does not by itself obliterate a statement that is consistent

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with independent circumstances noticed during investigation. The Appellant has not shown that the facts regarding the dummy entities, the transporter verification or the absence of E-Way Bill movement were fabricated or incorrectly recorded. The contention is untenable.

24. The Appellant vehemently contended that they were not given an opportunity for cross-examination of the persons, whose statements were recorded and relied upon in the present proceedings. The Appellant has placed considerable reliance on *Andaman Timber Industries v. Commissioner of Central Excise* [2015 (324) E.L.T. 641 (S.C.)] contending that denial of cross-examination renders the order unsustainable.

24.1 I have considered the said contention. The principle laid down in *Andaman Timber* is that where statements of witnesses constitute the basis of the order and their truthfulness is specifically disputed, denial of an effective opportunity of cross-examination may constitute a serious violation of natural justice. However, the ratio of *Andaman Timber* cannot be applied mechanically to every case in which statements are relied upon. The Supreme Court itself proceeded on the basis that, in that case, the statements of the two witnesses were the only material on which the Department's case rested. In the present matter, as discussed above, the statements are supported by other circumstances and investigative material, including verification of the transporters and the absence of corresponding movement on the E-Way Bill portal. The present case therefore stands on a materially different footing.

24.2 The Delhi High Court has also recognised that the necessity of cross-examination depends upon the facts of the particular case and whether the statements are merely corroborative of documentary evidence already disclosed to the assessee. In *Vallabh Textiles v. Additional Commissioner, Central Tax* [(2025) 30 Centax 522 (Del.)] the Court considered the circumstances in which refusal of cross-examination did not result in prejudice where the statements were corroborative of documentary material and the assessee had an opportunity to deal with the material.

24.3 In the present case, therefore, I find that the denial of cross-examination cannot, by itself, invalidate the entire adjudication. The demand is not founded exclusively on the statements of third parties; rather, the statements form one component of a larger evidentiary chain. The Appellant has also not demonstrated that cross-examination would displace the independent findings relating to the non-operational nature of the suppliers, the adverse transporter verification and the absence of corresponding movement of goods.

24.4 The Appellant also contends that the impugned order ignored its reply, relying on *M.P. Commodities Pvt. Ltd. v. State of Gujarat* and *Makemytrip (India) Pvt. Ltd. v. State Tax Officer*. The principle invoked is that an order must deal with the assessee's reply. The impugned order records the reply at para 8 and deals with its grounds at paras 15 to

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22. In any event, I have examined each ground afresh in this appeal. The contention does not survive.

25. The Appellant contended that all five suppliers possessed valid GST registrations during the relevant period and that subsequent cancellation of registration cannot retrospectively render the transactions invalid. I agree with the limited proposition that mere subsequent cancellation of a GST registration, by itself, cannot conclusively establish that every transaction undertaken during the earlier period was fictitious.

25.1 However, that is not the sole basis on which the ITC has been disallowed in the present case. The validity of the suppliers' registration is only one circumstance. The demand rests on the totality of evidence indicating that the concerned entities were being used as invoice-issuing/dummy entities and that the corresponding physical movement of goods was not established. Accordingly, the fact that the suppliers were registered during FY 2018-19 cannot confer an automatic or indefeasible right to ITC upon the Appellant.

25.2 The Appellant relies on Arise India Limited and Sri Vinayaga Agencies to contend that a bona fide purchaser cannot suffer for the default of its supplier. Those decisions protect a purchasing dealer who acted in good faith. They do not help a recipient who received no goods. Here, the Appellant's managing person admitted that no goods were received and that the invoices were paper transactions for availing ITC. The Appellant was not an innocent purchaser. The decisions do not apply.

26. The Appellant has contended that the goods were subsequently used in manufacturing and that the stock records and outward supplies establish actual receipt of the inputs. I find that such evidence may constitute corroborative evidence, but it cannot, by itself, establish that the particular goods covered by the disputed invoices were physically received from the five suppliers.

26.1 The existence of corresponding outward supplies only establishes that the Appellant undertook outward taxable transactions. It does not conclusively establish the identity of the source from which every corresponding input was procured. The relevant question for determining eligibility of the disputed ITC is whether the goods covered by the impugned invoices were actually received from the concerned suppliers. The Appellant has not established this aspect with sufficient transaction-wise cogency in the face of the contrary investigation findings. Therefore, the contention of the Appellant in this regard is not tenable.

26.2 The Appellant contends that if the purchases were not genuine, no supply occurred and no tax was payable under Section 9; the tax it paid should therefore count as reversal of ITC. It relies on *Pranit Hem Desai v. Additional Director General*. I do not accept this. The demand is not of tax on fictitious supplies. It is of ITC availed on invoices without receipt of goods. The Appellant used that ITC to discharge tax on its own outward supplies. Shri Varun Jain stated on 11.02.2020 that more than 95% of the Appellant's tax was paid through ITC. The Appellant has not identified any payment that offsets the

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ineligible credit. The decision relied upon does not hold that ITC availed without receipt of goods stands neutralised by tax paid on outward supplies. The plea of revenue neutrality fails.

27. The Appellant has also alleged violation of Section 67(3) on the ground that certain seized purchase records were not returned and that this prevented the Appellant from effectively discharging its burden under Section 155. The Appellant has not demonstrated how any particular seized document, if produced, would disprove the specific findings concerning the five suppliers, the statements recorded during investigation, the transporter verification or the absence of corresponding movement.

27.1 The Appellant has itself produced invoices, ledgers, transport documents, E-Way Bills and stock-related records in its defence. As held in paras 15 and 15.3 above, these documents do not establish actual receipt of goods. Therefore, the general allegation regarding non-return of seized records cannot automatically nullify otherwise sustainable findings based on the material available on record. The contention of the Appellant in this regard is not sustainable.

28. The Appellant contended that mere wrong availment of ITC cannot justify invocation of Section 74 unless fraud, wilful misstatement or suppression of facts with intent to evade tax is established. I agree with the legal proposition that Section 74 cannot be invoked merely because an ITC claim is ultimately found inadmissible. The statutory ingredients must be established from the facts and circumstances of the case. Section 74 specifically applies where ITC has been wrongly availed or utilised by reason of fraud, wilful misstatement or suppression of facts with intent to evade tax.

28.1 In the present case, however, the surrounding circumstances go beyond a mere technical or bona fide error in claiming ITC. The Appellant claimed substantial ITC of Rs.2,61,93,359/- from five entities found during investigation to be non-operational/dummy concerns; the persons connected with the supplier group described the modus operandi of issuing invoices without corresponding movement of goods; transport documents were found incapable of being corroborated through the concerned transporters; the E-Way Bill verification did not establish corresponding movement; and, significantly, Shri Manoj Kumar Jain, the person stated to be managing the affairs of the Appellant, admitted that the invoices were paper transactions for availing ITC.

28.2 The cumulative effect of these circumstances establishes that the disputed ITC was not merely the result of an inadvertent or interpretational error. The nature of the transactions, the manner in which the five entities were used, the absence of actual movement and the Appellant's own admission demonstrate conscious participation in transactions intended to avail ITC without receipt of the corresponding goods. I therefore hold that the invocation of Section 74 by the Adjudicating Authority is fully justified.

29. The Appellant made payments aggregating to Rs.70,00,000/- during the investigation. The record shows payments of Rs.30,00,000/- on 09.07.2019,

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Rs.10,00,000/- on 27.07.2019, Rs.5,00,000/- on 22.10.2019, Rs.5,00,000/- on 21.12.2019 and Rs.20,00,000/- on 05.09.2022.

29.1 The Appellant has contended that some of these payments were made “under protest” and therefore could not be appropriated. I find that the impugned order has not treated the payments as an unconditional admission of the entire demand; rather, the amount already paid was appropriated against the confirmed liability and only the balance amount of Rs.1,91,93,359/- was ordered to be recovered. The gross liability of Rs.2,61,93,359/- and the appropriation of Rs.70,00,000/- are clearly reflected in the impugned proceedings.

29.2 The expression “under protest” used by the Appellant in correspondence cannot, by itself, convert a payment into an amount which is legally incapable of appropriation. The substantive question is whether the tax liability exists. Since I have found the ITC demand sustainable, the amount already paid is rightly liable to be appropriated against such liability. Thus, the contention of the Appellant in this regard is not sustainable.

30. Once the wrongful availment and utilisation of ITC is established, the liability to pay applicable interest follows in accordance with Section 50 of the CGST Act. Since the principal demand of Rs.2,61,93,359/- is upheld, I find no basis to interfere with the order confirming applicable interest under Section 50. The impugned order has accordingly rightly ordered recovery of interest on the confirmed liability.

31. The Adjudicating Authority has imposed a penalty of Rs.2,61,93,359/- under Section 122(2)(b) of the CGST Act, corresponding to the tax amount involved. The SCN specifically proposed penalty on the ground that the wrongful availment and utilisation of ITC occurred by reason of wilful misstatement and suppression in the statutory returns in pursuance of collusive activities with operators of non-existent invoice-issuing entities.

31.1 In the facts of the present case, I find that the ingredients necessary for the penalty are established by the same evidentiary circumstances discussed above. The availment of a substantial amount of ITC from five entities without actual receipt of goods, coupled with the evidence concerning the dummy entities, fabricated transport documentation, absence of corresponding movement and the admission of the managing person of the appellant, cannot reasonably be characterised as a mere clerical or bona fide error. The impugned order has accordingly rightly imposed a penalty upon the Appellant under Section 122(2)(b) of the CGST Act, 2017.

32. In view of the above discussion and findings, I find no infirmity in the impugned order passed by the Adjudicating Authority warranting appellate interference. The grounds of appeal raised by the Appellant are found to be devoid of merit and are accordingly rejected.

33. Resultantly, I reject the appeal filed by the Appellant and uphold the impugned order passed by the Adjudicating Authority.

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34. अपीलकर्ता द्वारा दायर की गई अपील उपरोक्त शर्तों के अनुसार निस्तारित की जाती है।

The appeal filed by the Appellant stands disposed of in the above terms.

**हरबीर
आयुक्त (अपील)****By RPAD / SPEED POST**

To,

सेवा में,
मेसर्स आदित्य अल्ट्रा स्टील प्राइवेट लिमिटेड (अब,
 M/s. आदित्य अल्ट्रा स्टील लिमिटेड), वांकानेर
 बाउंड्री, सर्वे नंबर 48, नेशनल हाईवे 8-A, भालगाम,
 राजकोट – 363621

GSTIN: 24AAJCA7025P1ZD

Email: finance@adityasteel.com

To,

M/s. Aditya Ultra Steel Pvt. Ltd. (Now,
 M/s. Aditya Ultra Steel Ltd.), Wankaner
 Boundry, Survey No. 48, National Highway
 8-A, Bhalgam, Rajkot – 363621

GSTIN: 24AAJCA7025P1ZD

Email: finance@adityasteel.com

प्रतिलिपि: -

- 1) प्रधान आयुक्त / आयुक्त, वस्तु एवं सेवा कर एवं केन्द्रीय उत्पाद शुल्क, राजकोट आयुक्तालय, राजकोट को आवश्यक कार्यवाही हेतु।
- 2) अतिरिक्त / संयुक्त आयुक्त, वस्तु एवं सेवा कर एवं केन्द्रीय उत्पाद शुल्क, राजकोट आयुक्तालय, राजकोट को आवश्यक कार्यवाही हेतु।
- 3) सहायक / उप आयुक्त, वस्तु एवं सेवा कर, डिविजन-II, मोरबी, राजकोट आयुक्तालय को आवश्यक कार्यवाही हेतु।
- 4) गार्ड फ़ाइल।

FORM GST APL - 04*[Refer Rules 113(1) & 115]***Summary of the demand after issue of order by the Appellate Authority, Tribunal OR Court**

Order no. - ZD241026092269A

Date of Order - 27/10/2026

1. GSTIN/Temporary ID/ UIN -

24AAJCA7025P1ZD

2. Name of the appellant -

ADITYA ULTRA STEEL LIMITED

3. Address of the appellant -

WANKANER BOUNDARY, SURVEY NO-48, NATIONAL
HIGHWAY 8-A, BHALGAM, RAJKOT, Rajkot, Gujarat,
363621

4. Order appealed against -

Number - ZD241225052260Y

Date -10/12/2025

5. Appeal -

Number - AD240126017023T

Date - 21/01/2026

7. Personal Hearing -

Number - ZD240226013531Z

Date -04/02/2026

Number - ZD2402260520106

Date -16/02/2026

Number - ZD240326045141W

Date -16/03/2026

6. Order in brief -

Refer to Annexure

8. Status of Order -

Rejected (Order under Appeal is Accepted)

9. Amount of demand confirmed -

Particulars		Central Tax (₹)	State/ UT Tax (₹)	Integrated Tax (₹)	Cess (₹)	Total (₹)
Tax	Disputed Amount	95,96,680	95,96,680	0	0	1,91,93,360
	Determined Amount	95,96,680	95,96,680	0	0	1,91,93,360
Interest	Disputed Amount	0	0	0	0	0
	Determined Amount	0	0	0	0	0
Penalty	Disputed Amount	1,30,96,680	1,30,96,680	0	0	2,61,93,360
	Determined Amount	1,30,96,680	1,30,96,680	0	0	2,61,93,360
Fees	Disputed Amount	0	0	0	0	0
	Determined Amount	0	0	0	0	0
Others	Disputed Amount	0	0	0	0	0
	Determined Amount	0	0	0	0	0

Place: RAJKOT:AHMEDABAD:CBIC

Date: 27/10/2026

Name: Harbir

Designation: Commissioner

Jurisdiction: RAJKOT:AHMEDABAD:CBIC

GSTAPL-04

Signature Not Verified

Digitally Signed by
Harbir

Date: 2026.10.27
16:31:04 IST

This is a system generated document and digitally signed by the Officer. It does not require any physical signature.