1 NATION TAX MARKET GST

केन्द्रीय कर आयुक्त का कार्यालय
OFFICE OF THE COMMISSIONER OF CENTRAL TAX
रंगा रेड्डी जीएसटी आयुक्तालय, जी एस टी भवन, घ सं. 1-98/7/43, वी आई पी हिल्स, जय हिन्द एन्क्लेव, माधापुर, हैदराबाद-500081
RANGA REDDY GST COMMISSIONERATE, GST BHAVAN
H.NO. 1-98/7/43, VIP HILLS, JAIHIND ENCLAVE,
MADHAPUR, HYDERABAD-500081
Email: cgst.rrcommteae@gov.in

File No. GEXCOM/AE/INV/GST/1473/2023-AE-O/o COMMR-CGST-RR
SCN No. 22/2024-25-Adjn(ADC)-GST
OR No. 38/2023
DIN-20241256YQ000000932E

Date: 30.11.2024

SHOW CAUSE NOTICE No. 22/2024-25-Adjn(ADC)-GST

Sub: GST – Fraudulent availing and utilization of input tax credit from non-existent suppliers without receipt of goods/services, Availing irregular/ineligible input tax credit by M/s Rayalaseema Industries (India) Private Limited (GSTIN: 36AACCR8836N1ZP), having declared principal place of business at IDA Teegapur, Sy.no.115/A, Kothur Mandal, IDA Road, Teegapur, Mahabubnagar, Telangana, 509228 – Issuance of Show Cause Notice for the period from April 2018 to March, 2024 – Reg.

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M/s. Rayalaseema Industries (India) Private Limited (hereinafter referred to as 'M/s RIIPL' or 'the taxpayer'), having declared Principal Place of Business at IDA Teegapur, Sy.no.115/A, Kothur Mandal, IDA Road, Teegapur, Mahabubnagar, Telangana, 509228 are registered with the GST authorities vide GSTIN 36AACCR8836N1ZP and engaged in manufacture of Ferrous products obtained by direct reduction of iron ore, semi-finished products of iron or non-alloy steel, other bars and rods of iron and steel etc. The taxpayer is involved in converting ferrous scrap into other products of iron and steel i.e. non-alloy pig iron. They fall under the administrative control of Kothur CGST Range, Shamshabad Division of Rangareddy GST Commissionerate, Hyderabad.

2. Intelligence:

2.1. Specific information was received which revealed that M/s. Rayalaseema Industries (India) Private Limited, a company dealing in Iron and Steel manufacturing in Telangana State and working under M/s Navdurga Group, a business group with major presence in Iron and Steel manufacturing and upcoming business in Ethanol, Tea Gardens, Resorts and Real Estate sectors

with registered office in Bhubaneshwar, Orissa, is indulged in fraudulently availing of input tax credit without receipt of goods from such suppliers whose are found to be non-existent at their declared principal place of business, and the same is being used to discharge their outward tax liability, consequently leading to huge loss to the Government exchequer. Initially 8 non-existing suppliers of the taxpayer were identified who have passed on ITC to the tune of Rs. 8.66 Crores (approximately) fraudulently without actual supply of goods. The list of these suppliers along with the ITC passed on to the taxpayer is given hereunder-

Sl No.	GSTIN	Trade Name	Total Assessable value supplied (in Lakhs)	ITC involved (in Lakhs)	Panchanama/ letter dated
1	36ACCPF5127F1Z1	SF ENTERPRISES	1787.2	321.7	As per Panchanama dated 01.06.2023, No business activity at the declared PPoB.
2	36CMTPA2201E1ZJ	AMZ TRADERS	943.4	169.8	As per Panchanama dated 04.07.2023, No business activity at the declared PPoB.
3	36KVVPS6294G1ZC	PRIME TRADING CO	692.7	125	As per Panchanama dt. 04.05.2023, No such company exist at the declared premises.
4	36DOTPA3702P1ZJ	S.A TRADERS	547.8	98.6	As per Panchanama dated 24.05.2023, No business activity at the declared PPoB.
5	36BBBPM4344Q1Z8	FK TRADING	493.4	88.8	Non-existent entity as per panchanama dt 28.04.2023
6	36AYRPA0237E1ZR	KAF TRADERS	218.83	39.38	Registration obtained fraudulently by submitting false documents and the unit is non- existent as per Letter dt 16.06.2023 from SGST
7	36GFPPM2724R1ZJ	KM TRADERS	99.4	17.9	No Business activity and no firm is existing at the declared premise as per panchanma dt 04.10.2022
8	36BLEPM3260J1Z1	GLOBAL TRADING	28.29	5.09	Address could not be located/ Phone No non responsive and or the declared premise does not have the capacity to handle the volume of the trade declared as reflected in their returns as per Note Sheet dt 26.09.2022
		TOTAL	4811.03	866.28	

2.2. In view of the large revenue implication and involvement multiple jurisdictional Commissionerates, a coordinated search operation by the officers of Rangareddy GST Commissionerate, Medchal GST Commissionerate and Hyderabad GST Commissionerate was conducted 01.08.2023 on the following premises identified during the investigation proceedings –

Sr. No.	Premises identified	Address of the premises	Jurisdiction
1.	Factory/Plant of M/s Rayalseema Industries India Pvt Ltd	Survey No 115/A, Teegapur Village, KothurMandal, Mahbubnagar, 509228	Rangareddy GST Commissionerate
2.	Residence of Mr. Chiranjib Das, Business head (South India Operation), Navdurga Group.	1210, Green Grace Apartment, Near Outer Ring Road, Nanakramguda, Gachibowli, 500084	Rangareddy GST Commissionerate
3.	Residence of Mr. Arun Dadhichi, CFO of Navdurga Group	34, Kalyan Whistling Woods, Petbasheerbad, Brundavan Colony, Kompally, Medchal Malkajgiri, 500067	Medchal GST Commissionerate
4.	Corporate office of M/s Navdurga Group.	H.No. 8-2-618/2/A to C, Delta Seacon Building, Road No.11, Banjara Hills, Hyderabad, 500034	Hyderabad GST Commissionerate

2.3. During the search proceedings dt. 01.08.2023 at the aforementioned premises, certain documents such as invoices pertaining to outward supplies, E-way bills, weighment slips, Stock details etc. and certain exhibits such as Laptops, Mobiles phones, Hard Disk were seized as detailed below-

Sl. No.	Description of digital evidence seized	Recovered through document	Source of exhibit
1	Hard Disks – 4 Nos. 1. Kingston – 50026B738192E0EA – 480 GB 2. Seagate – ZN1MAGA0 – 1 TB 3. Kingston Technology – 50026B77843C1C01 -240 GB 4. Seagate – ZN1MA0HH – 1 TB	Recovered under Panchnama dated 01.08.2023.	M/s. Rayalaseema Industries India Pvt Ltd

2	Laptop of Shri. Chiranjib Das Make 'HP' and Model No. 'Envy'/'Bang & Olufsen'	Recovered under Panchnama dated 01.08.2023.	Residence of Shri. Chiranjib Das, Business Head, South India Operations, M/s. Nav Durga Group
3	Laptop ASUS TUF bearing Sl. No. M7NRCX02M430287	Recovered under Panchnama dated 01.08.2023.	Residence of Shri. Arun Kumar Dadhichi, CFO of M/s. Nav Durga Group
4	Apple iPad Sl. No. F9FX74XEJMVR Model No. MRJN2HN/A		
5	Seagate Portable Disk NA9TC23E – 1 TB		
6	Vivo Mobile Phone Model No. V2214 IMEI: 869017060452335 & 869017060452327		

2.4. During the search proceedings, cash amount of Rs. 1,00,00,000/- (Rs. One Crore Only) and Rs. 58,18,000/- (Rupees Fifty Eight Lakhs Eighteen Thousand Only) was seized from the Residence of Shri. Arun Kumar Dadhichi, CFO of M/s. Nav Durga Group and Corporate office of M/s Navdurga Group, respectively under the Panchanamas dated 01.08.2023. The total amount of cash Rs. 1,58,18,000/- (Rs. One Crore Fifty Eight Lakhs and Eighteen Thousand Only) seized during the said search proceedings were handed over to the Income Tax department vide letter dt. 02.08.2023 for taking further necessary action at their end.

3. Investigation

3.1. During the course of investigation, the Superintendent (Anti-Evasion), Rangareddy GST Commissionerate issued summons dated 01.08.2023 to Shri. Rakesh Mourya, S/o Shri. Kulamani Mourya, Director of M/s. Rayalaseema Industries (India) Pvt Ltd, Shri Chiranjib Das, S/o Shri Chinmoy Rajan Das, Business Head, South -India Operation of M/s Nav Durga Group and Shri. Arun Kumar Dadhichi, S/o Late Shri Nathmal Sharma, CFO of M/s Navdurga Group and recorded their voluntary statement on 01.08.2023/02.08.2023, under Section 70(1) of the Central Goods and Services Tax Act, 2017, the same is discussed in detail in the forthcoming paras.

3.2. Shri. Rakesh Mourya, S/o Shri. Kulamani Mourya, Director of M/s. Rayalaseema Industries (India) Pvt Ltd in his voluntary statements dt. 01.08.2023 and 02.08.2023 deposed before the Superintendent (Anti-Evasion), Rangareddy GST Commissionerate stated that he has been promoted as Director of the Company only for namesake and he does not have any discretionary power in order to take any kind of decision in the company, and even till date he is working as accountant of the company and look after daily inward bills entry, tally entry of the purchases and Bank statements, monitoring of payment to store material purchase and finalization of Balance sheet. He further stated that the actual operations of M/s Rayalaseema Industries (India) Pvt Ltd are handled by 4 key persons namely, Shri Nimesh Gadodia, Chairman of M/s Navdurga Group, Shri Chiranjib Das, CEO of M/s Rayalaseema Industries (India) Pvt Ltd and M/s Scan Energy & Power Ltd (hereinafter referred to as 'M/s SEPL'), Shri Arun Dadhichi, Charted Accountant and CFO of M/s Navdurga Group and Shri Rahul Bawri, Other Director of M/s Rayalaseema Industries (India) Pvt Ltd. He further stated that as seen from the panchanamas of 8 common suppliers of M/s Rayalaseema Industries (India) Pvt Ltd and M/s Scan Energy & Power Ltd, it appears that the company has availed the ITC from the non-existing entities to the tune of Rs 8.66 Cr. which is irregular in terms of Section 16(2) of CGST Act, 2017.

3.3. Shri Chiranjib Das, S/o Shri Chinmoy Rajan Das, Business Head, South - India Operation of M/s Nav Durga Group in his voluntary statements dt. 01.08.2023/02.08.2023 deposed before the Superintendent (Anti-Evasion), Rangareddy GST Commissionerate stated that, he looks after the day-to-day operations and maintenance of the plant; he also looks into Purchase of coal and iron billets and getting rate quotations for scrap, iron bars and iron wires. He further stated that he is a technical person with respect to steel furnaces and he has no role with regard to taxation/accounts or invoicing of purchases. Shri Arun Kumar Dadhichi, CFO of N/s Navdurga Group is the person who looks after Financial and accounts related matters including taxation under the instructions of Shri Nimish Gadodia, Chairman of M/s Navdurga Group. With regard to ITC availed by M/s RIIPL from 8 common non-existent suppliers of M/s RIIPL and M/s SEPL, he submitted that he has technical expertise w.r.t. steel furnaces and have no knowledge about the CGST Act, 2017 or taxation. Hence, he cannot comment on the input tax credit (ITC) availed by M/s RIIPL. He has never spoken or made any correspondence through WhatsApp/e-mail with these 8 non-existent entities. However, the dealers with whom he has corresponded might have supplied the goods on behalf of the said 8 entities.

3.4. Shri. Arun Kumar Dadhichi, S/o Late Shri Nathmal Sharma, CFO of M/s Navdurga Group in his voluntary statement dt. 01.08.2023/02.08.2023 deposed before the Superintendent (Anti-Evasion), Rangareddy GST Commissionerate stated that he is only a consultant of M/s. Scan Energy & Power Ltd & M/s. Rayalseema Industries (India) Pvt Ltd providing consultancy services in respect of Finance & Accounts. Shri. Chiranjib Das looks alter the purchases of both the companies. On being shown the statement dt. 01.08.2023/02.08.203 deposed by Shri Chiranjib Das, Business head (South India Operation) that he stated that they had not received goods from the 8 non-existent entities, he deposed that if production manager is stating that if no goods were received than it may be construed that no goods were received and he was never informed that no goods were received. Further, on being shown the statement of Shri Chiranjib Das regarding non receipt of goods and statements of Shri Rakesh Mourya dated 01.08.2023/02.08.2023 wherein they categorically admitted that ITC availed is irregular and in violation of 16(2)(b) of CGST Act, 2017 as the invoices were issued by non-existent entities without underlying supplies, he stated that, yes, it may be construed that the ITC availed and utilised by both M/s SEPL and M/s RIIPL to the tune of Rs 12.22 Crores and 8.66 Crores is irregular and in violation of 16(2)(b) of CGST Act, 2017. Further, with regard to cash amount of Rs. 1 Crore seized from his residence and Rs. 58 Lakhs from the Corporate office of M/s Nav Durga Group (of which M/s RIIPL and M/s SEPL are a part of) at Banjara Hills, during the search operation dated 01.08.2023, he stated that the amount of Rs. 1 Crore was given to him by Shri Nimish Gadodia for keeping in safe custody and amount of Rs. 58 Lakhs may be pertaining to M/s. Scan Energy & Power Ltd or M/s. Rayalaseema Industries India Pvt Ltd, and the same does not belong to him.

3.5. It is inferred from the said submissions that the offence of availment of ITC on the basis of invoices issued by non-existent entities without any underlying supply of goods was hatched and orchestrated by Shri. Arun Kumar Dadhichi along with Shri. Chiranjib Das and Shri. Nimish Gadodia causing a loss of preliminary estimated amount of Rs. 8.66 Crores with regard to M/s RIIPL, to the Government exchequer. It can only be concluded that the said offence could not have been committed without the knowledge of both the aforesaid persons. Further, Shri. Arun Kumar Dadhichi, CFO of Nav Durga group was deliberately involved in availment of fraudulent ITC on the basis of invoices issued by non-existent entities without any underlying supply of goods in contravention of Section 16(2) of the CGST Act, 2017, thereby leading to

evasion of GST liability thereby making huge loss to the government exchequer. Therefore, Shri. Chiranjib Das, Shri. Rakesh Mourya and Shri. Arun Kumar Dadhichi were arrested on 02.08.2023 and duly followed post arrest formalities as per instructions issued by the Board vide Instruction No. 02/2022-23-GST (*Investigation) in file No. GST/INV/instructions/2021-22 dated 17.08.2022. The said persons were produced before Hon'ble court for Economic Offences, Nampally, Hyderabad and a remand petition dated 02.08.2023 was filed before the Hon'ble court for Economic Offences. The Hon'ble Court for Economic Offences remanded the persons to judicial custody till 17.08.2023 which was subsequently extended till 31.08.2023 and later also extended till 13.09.2023.

3.6. In the meanwhile, a summons dated 01.08.2023 under Section 70(1) of the Central Goods and Services Tax Act, 2017 were also issued to Shri. Nimish Gadodia, Chairman of Nav Durga Group, directing him to appear before the Superintendent (Anti-Evasion), Rangareddy GST Commissionerate on 01.08.2023 and to depose his voluntary statement, however, he did neither responded to the summons nor he appeared before the investigating officer. Therefore, again a summons dated. 03.08.2023 was issued to Shri. Nimish Gadodia to appear before the investigating officer on 04.08.2023. In the meanwhile, M/s. Scan Energy and Power Limited filed a Writ Petition No. 20815 of 2023 before this Hon'ble High Court of Telangana for not taking any coercive step towards Shri Nimish Gadodia pursuant to Summons issued dated 01.08.2023. The Hon'ble High Court of Telangana in its order dated 02-08-2023 opined that-

".... ends of justice would meet as to now permitting Shri. Nimish Gadodia, Director of the petitioner's establishment to enter appearance before the respondent department by the 04th of August, 2023. It is further expected that Sri Nimish Gadodia shall render full cooperation with the respondent-department in the investigation/enquiry which the respondent has initiated against the petitioner's establishment, particularly taking into consideration the documents and other materials have been seized in the course of enquiry. The respondent-Department are also expected to ensure that the investigation/enquiry which they have initiated shall be conducted strictly in accordance with law governing the filed and also following the guidelines framed by the department in this regard.

.... Needless to mention that the observation made and the direction given by this court is only subject to the petitioner entering appearance by the 04th of August,

2023. In the event of failure on the part of the petitioner, the respondent-department would be free to proceed further in accordance with law"

However, despite such clear directions from the Hon'ble High Court of Telangana, Shri Nimish Gadodia had failed to appear before the investigating officer on 04.08.2023 with a blatant disregard for the directions issued by the Hon'ble High Court of Telangana order dt.02.08.2023 thereby indicating a clear contempt of the Hon'ble High Court's orders, did not appear before the summoning officer on 04-08-2023. Therefore, summons dated 04.08.2023 were again issued requiring Shri. Namish Gadodia to appear before the summoning officer on 07-08-2023. Meanwhile, Shri. Nimish Gadodia filed a Criminal Petition before Hon'ble High Court of Orissa in CRLMP No. 1533/2023 and the Hon'ble High Court in its interim order dated 04-08-2023 directed that-

".... whenever petitioner would be required to appear before the opposite parties in connection with summons No. GEXCOM/AE/INV/GST/1473/2023-AE-RR dated 01-08-2023, he shall be permitted to so appear for interrogation with his Counsel(s), who shall be available at a visible distance but beyond the audible range and till the next date of listing no coercive action shall be taken against the Petitioner."

3.7. The counter affidavit to Criminal Miscellaneous Petition No. 1533 of 2023 filed by Shri Nimish Gadodia was filed by the department before the Hon'ble High Court of Orissa at Cuttack on 17.08.2023. However, in the meanwhile, Shri. Nimish Gadodia appeared before the investigating officer on 07.08.2023 and his voluntary statement was recorded on 07.08.2023. On being asked regarding the non-compliance of the Hon'ble Telangana High Court order dated 02.08.2023 in writ petition no. 20815/2023 wherein he was directed to appear before the investigating authority on 04.08.2023, he stated that he wanted to come from Flight SG-2947/2948 Hyd-Jharsuguda but it was learnt that the flight got cancelled prior to his booking so he was not able to come to office, which he communicated to the department through e-mail also. He further submitted that the nearest airport from his home is Jharsuguda and Raurkela. But flights for Hyderabad are available from Jharsuguda. On being asked to produce his mobile phone for further course of investigation, he submitted that he has not brought his mobile phone now because his phone was broken in family drama, however, he will produce it as and when required in the existing condition of phone. Since Shri Nimish Gadodia has made submissions before Hon'ble High Court of Orissa that the enquiry to be conducted during office hours, he was allowed to leave before 6:00PM and summons dt. 07.08.2023

were again issued to him to appear on 09.08.2023 before the investigating officer. Shri. Nimish Gadodia appeared on 09.08.2023 but did not co-operate with the investigation proceedings by giving evasive replies and hence, the statement could not be recorded on 09.08.2023. Further, he also refused to hand over his mobile phone for which he had earlier agreed to submit in his voluntary statement dated 07.08.2023. Therefore, again a summons dated 09.08.2023 were issued to him to appear before the investigating officer on 10.08.2023 along with requisite documents i.r.o. M/s RIIPL. Shri Nimish Gadodia appeared on 10.08.2023 but had not submitted the mobile phone and the requisite documents. His statement also could not be recorded on 10.08.2023, as he kept on giving evasive replies saying that he doesn't remember or he is unaware and refused to co-operate with the summons proceedings. Therefore, a Panchanama dated 10.08.2023 was recorded narrating the events, Shri Nimish Gadodia refused to sign the panchanama also, and left the premises abruptly on 10.08.2023.

3.8. During the course of investigation, summons dated 08.08.2023 were also issued to Shri Rahul Bawri, Director of M/s Rayalaseema Industries (India) Pvt Ltd, however, Shri Rahul Bawri neither responded to the summons nor he appeared before the investigating officer.

3.9. Further, Shri Nimish Gadodia, Chairman of M/s Navdurga Group has not at all cooperated during the investigation proceedings and has given evasive replies to the questions asked by the investigating officer. The key managerial persons of M/s Rayalaseema Industries (India) Pvt Ltd in their voluntary statements dated 01.08.2023/02.08.2023 had also admitted to the fact that they have fraudulently availed input tax credit from non-existing suppliers without actual receipt of goods and Shri Nimish Gadodia is the actual key person and all the decisions were taken under his consultation only. However, because of the interim order of Hon'ble High Court of Orissa at Cuttack dated 04.08.2023, no coercive action could be taken against him. There were reasons to believe that Shri Nimish Gadodia may be committing further offence; may impede proper investigation of the offence; may withdraw money available in bank accounts or transfer it to some other accounts and further avail fake ITC. Cash seizure of Rs. 1.58 Crores during the search operation dated 01.08.2023 from the corporate office of M/s Navdurga Group and Residence of Shri Arun Kumar Dadhichi, CFO of M/s Navdurga Group, reinforces the above apprehensions. Therefore, in order to safeguard the interest of government revenue; the following bank accounts of M/s RIIPL, were provisionally attached

vide Form GST-DRC-22 dt. 09.08.2023 under the provisions of Section 83 of the CGST Act, 2017-

Sr. No.	Bank	Bank Account No.	IFSC
1.	Kotak Mahindra Bank	304044011468	KKBK0007451
2.	HDFC Bank Ltd	50200026175861 50200040058590	HDFC0000968
3.	South Indian Bank	0507083000000004 0507073000000236	SIBL0000507

3.10. Further, the digital exhibits/devices seized during the search operation dated 01.08.2023 at the Factory/Plant premises of M/s RIIPL and at the residence of key managerial persons of M/s RIIPL were sent to Central Forensic Science Laboratory (CFSL) vide this office letter dated 28.08.2023 for forensic examination and retrieval of the data. Further, during the course of investigation, certain details such as Bank statements, KYC details, IP Logs of the devices etc. from which the accounts are being operated by the alleged non-existent suppliers of the taxpayer, were called for from the Banks of the non-existent suppliers of the taxpayer vide letters dated 04.09.2024 and 16.11.2024 issued under provision of Sec.150 of the CGST Act, 2017 for further necessary analysis of the transaction between the taxpayer and alleged suppliers who passed on fraudulent ITC.

3.11. In the meanwhile, summons dated 14.08.2023 to the 8 common suppliers of M/s Scan Energy & Power Ltd and M/s Rayalaseema Industries (India) Pvt Ltd as listed in Para 2.1 above, were issued to appear before the investigating officer on 18.08.2023, however, no response was received from all 8 common suppliers who had passed on fraudulent ITC. Therefore, again summons dated 28.08.2023 were issued to the said 8 suppliers to appear on 01.09.2023, however, none of them had appeared for deposing statement and not responded to the summons issued. Later, once again summons to the 8 non-existing common suppliers of M/s SEPL and M/s RIIPL were issued to 18.10.2023 to appear before the investigating officer on 27.10.2023, however, no one responded to the summons issued to them.

3.12. Later, a summons dated 31.08.2023 were again issued to Shri Nimish Gadodia to appear before the investigating officer on 07.09.2023. However, he did not appear and submitted a letter dated 05.09.2023 to this office submitting that, his wife Smt. Binita Gadodia had gone to Australia for accompanying their elder daughter, and he had to look after his younger

daughter who is 4 years old in absence of his wife, therefore, he is unable to appear before the investigating officer on 07.09.2023. Therefore, again a summons dated 03.10.2023 were issued to him to appear on 11.10.2023. Shri Nimish Gadodia appeared before the investigating officer on 11.10.2023 in response to the summons dated 03.10.2023, accordingly, his voluntary statement dated 11.10.2023 was recorded, wherein he continued to give evasive replies to the questions being asked by the investigating officer. He further stated that he is not involved in day-to-day activities of the company M/s RIIPL and only looks after the fund management and not the technical aspects and GST compliances, the same is handled by Shri Arun Kumar Dadhichi. On being asked to produce his broken mobile phone in existing condition, which he has promised to submit in his voluntary statement dated 07.08.2023, he stated that he had brought his mobile phone on 09.08.2023 but his statement was not recorded on that day. Thereafter, he had destroyed his mobile phone and purchased a new one.

3.13. Further, the all the three key managerial persons of M/s RIIPL and M/s Navdurga Group, namely Shri Rakesh Mourya, Shri Arun Kumar Dadhichi and Shri Chiranjib Das were granted bail by the Hon'ble High Court of Telangana vide Order dated 11.09.2023 in CRLP No. 8245/2023 and Order dated 11.09.2023 in CRLP No. 8246/2023, on the conditions that after release they shall appear before the concerned Investigating Officer of GST at 10.00 a.m. on every Monday and also on other days as and when required by the Investigating Officer for the purpose of investigation.

3.14. In the meanwhile, the taxpayer M/s Rayalaseema Industries (India) Pvt Ltd and Shri Rakesh Maurya, Director of M/s Rayalaseema Industries (India) Pvt Ltd filed a Writ Petition no. 25810 of 2023 on 13.09.2023 before the Hon'ble High Court of Telangana, challenging the vires of Section 16(2)(c) and Section 41(2) of the Central Goods and Services Tax Act, 2017, and corresponding provisions of the Telangana Goods and Services Tax Act, 2017, and the rules made thereunder and to declare them as illegal, arbitrary and irrational as well as violative of Articles 14, 19 and 265 read with 300A of the Constitution of India. They further prayed vide the said writ petition to direct this office to not take any coercive or precipitate measures, including arrest and/or attachment of properties/Bank accounts, against the taxpayer and/or any of their Directors/ Shareholders/ employees/ office holders; to stay the recovery of GST against the taxpayer; to direct this office to not take any coercive measures against the taxpayer during the pendency of this Writ Petition as otherwise the Petitioner will be put to severe loss and hardship. As

seen from the official website of the Hon'ble High Court of Telangana, the said Writ Petition is pending as on date and no final decision has been made by the Hon'ble Court yet. However, the Hon'ble High Court of Telangana has issued directions vide IA No. 01 of 2023 in WP No. 25810 of 2023 dt.13.09.2023 to the taxpayer M/s Rayalaseema Industries (India) Pvt Ltd. and to Shri Rakesh Mourya to deposit 10% of the disputed amount and to appear before the GST authorities in response to the summon issued to them. Further, the Hon'ble Court directed that no coercive action shall be taken for arrest of the directors or officers of the taxpayer's company.

3.15. In pursuance of the directions given by the Hon'ble High Court of Telangana vide IA No. 01 of 2023 in WP No. 25810 of 2023, the taxpayer M/s Rayalaseema Industries (India) Pvt Ltd had made payment of Rs.86,64,000/- (CGST Rs.43,32,000/- & SGST Rs.43,32,000/-) i.e. 10% of the disputed amount of Rs. 8.66 Crores (Approx.) vide DRC-03 ARN No.AD361123003090Y dt.07.11.2023 in cash as directed by the Hon'ble High Court of Telangana.

3.16. Meanwhile, the Hon'ble High Court of Telangana vide IA No. 01 of 2023 dated 19.12.2023 in CRLP No. 8246 of 2023 and IA No. 01 of 2023 dated 04.01.2024 in CRLP No. 8245 of 2023 granted exemption to the accused Shri. Arun Kumar Dadhichi, Shri. Chiranjib Das & Shri. Rakesh Mourya from appearing before the investigating officer on every Monday. The Hon'ble High Court further directed the three accused to appear before the investigating authority as and when required by this office.

3.17. Further, in terms of the Section 83(2) of the CGST Act, 2017, the provisional attachment of any property is valid for a period of one year only, therefore, the bank accounts which were provisionally attached to safeguard the government revenue vide GST- DRC-22 dated 09.08.2023 were restored and provisional attachment of the bank accounts was revoked vide GST- DRC-23 dated 05.08.2024 issued by the Competent Authority.

3.18. Further, the total 8 suppliers were again summoned to appear on 11.10.2024 before the investigating officer vide summons dated 04.10.2024, however, the same were returned undelivered with remarks such as "Addressee left without instructions", "No such person at this house", "Person Left" etc.

3.19. In the meanwhile, some additional common non-existing suppliers of M/s Scan Energy & Power Ltd and M/s Rayalaseema Industries (India) Pvt Ltd, who have passed on fraudulent ITC to them before underlying supply, were

also received through various alert circulars and Annexure-Bs received from other field formations of the department, as given hereunder-

Sr. No.	Registration Details	Reference received	Remarks	ITC passed on to M/s RIIPL (in Rs.)
1.	M/s Retech Enterprises, GSTIN:37AKLPR7430E1ZX (Cancelled Suo-moto w.e.f. 22.07.2022 (DOR: 27.10.2021))	Alert Circular no. 01/2023-24 (GST) dt. 24.05.2023 received from Guntur CGST Commissionerate	M/s Retech Enterprises, was found to be non-existent as per Panchanama dt. 04.01.2023.	22,84,510
		Alert Circular dated 14.11.2023 received from DGGI, VZU	M/s Retech Enterprises, was found to be non-existent as per Panchanama dt. 17.05.2022.	
2.	M/s SM Traders, GSTIN:36FEFPS8456L1ZL (Cancelled suo-moto (Effective from 31/08/2023) (DOR: 16/02/2018))	Alert Circular dt. 00.06.2024 received from Hyderabad GST Commissionerate	Supply and receipt of goods without underlying supply.	13,43,56,217
3.	M/s S.B. Enterprises, GSTIN: 37AECPF9741F1ZJ (Cancelled suo-moto(Effective from 07/03/2022) DOR: 02/03/2022)	Alert Circular dated 14.11.2023 received from DGGI, VZU	M/s SB Enterprises, was found to be non-existent as per report submitted by investigating officer dt. 11.05.2022.	17,06,477

3.20. Accordingly, summons dated 14.11.2024 to above additional suppliers were issued to appear before the investigating authority on 20.11.2024. However, no one responded to the same and not appeared to tender statement and to submit records.

3.21. Further, it has come to notice that the Anti-Evasion Section, Hyderabad GST Commissionerate, has undertaken an investigation against M/s S.M. Traders (GSTIN: 36FEFPS8456L1ZL), additional supplier of M/s SEPL & M/s RIIPL as tabulated above, for availing and passing on fraudulent input tax credit to several entities, without underlying supply. Accordingly, a Show Cause Notice vide OR no. 192/2023-24/Adjn/ADC/JC-HYD-GST dt. 22.03.2024 to M/s SM Traders for availing and passing on Fake ITC, imposing penalty of Rs. 55,10,98,658/- and Rs. 55,22,15,458/- respectively, was issued by the Additional Commissioner, Hyderabad Commissionerate for the period from Feb-2018 to Aug-2023.

3.22. Further, during the course of investigation, it was also found that the taxpayer has also availed irregular input tax credit in respect of such invoices

which were furnished/issued by the suppliers after their cancellation/suspension of registration in contravention of Section 16(2)(a) of the CGST Act, 2017 read with Rule 21A of the CGST Rules, 2017. Further, they also have availed ineligible ITC in respect of such supplies for which the tax has not been paid the government in contravention of Section 16(2)(c) of the CGST Act, 2017. The quantification of the demand in respect of these issues is discussed in the forthcoming paras.

3.23. In view of the above facts, evidences and statements deposed by the key managerial persons of M/s Rayalaseema Industries (India) Pvt Ltd and M/s Navdurga Group, it appears that the taxpayer is indulged in availing and utilizing of fraudulent input tax credit which is received from such non-existent/fake entities that are indulged in bill trading and issue of invoices without any underlying supply and thus defrauding the government exchequer.

4. <u>Statement recorded and Documents submitted:</u>

During the search proceedings, voluntary statements of Shri. Rakesh Mourya, Director of M/s. Rayalaseema Industries (India) Pvt Ltd, Shri Chiranjib Das, Business Head, South -India Operation of M/s Nav Durga Group, Shri. Arun Kumar Dadhichi, CFO of M/s Navdurga Group and Shri Nimish Gadodia, Chairman of M/s Navdurga Group, were recorded under Section 70(1) of the Central Goods and Services Tax Act, 2017, the relevant extract of same is reproduced below:

4.1. Statement dated 01.08.2023 /02.08.2023 of Shri Rakesh Mourya:

- On being asked about his work profile & the role played in M/s. Rayalaseema Industries (India) Pvt Ltd, he stated that he started working in M/s. Rayalaseema Industries (India) Pvt Ltd as Accountant and later working as Director. He looks after Accounts of the company i.e., Daily inward bills entry and checking, Tally entry of Purchase and Bank statements, Monitoring of payments to Store material purchase and finalization of Balance Sheet. The payments to the suppliers and proceedings from sales are monitored by corporate office situated at Banjara Hills, Hyderabad. He further stated that that only for the namesake, he has been promoted as director and he does not have any discretion power in order to take any kind of decision in the company. He is working as accountant of the company and look after Daily inward bills entry and checking, Tally entry of Purchase and Bank statements,

Monitoring of payments to Store material purchase and finalization of Balance Sheet.

- On being asked about the setup of M/s. Rayalaseema Industries (India) Pvt Ltd and who are the key personnel of M/s. Rayalaseema Industries (India) Pvt Ltd, he stated that M/s. Rayalaseema Industries (India) Pvt Ltd is part of Nav Durga Group which is headed by Shri Nimish Gadodia as Chairman. At present, M/s Rayalaseema Industries (India) Pvt Ltd has two Directors. Shri Rahul Bawri is the other Director apart from him. Shri Rahul Bawri (Contact no. 9550587651) looks after the procurement of the store purchases required in the plant. Shri Charanjib Das is the CEO of the company who looks after the technical aspects of the plant. Shri Arun Dadhichi is Chartered Accountant of the company and he looks after Financial and Accounts matters of the company. Shri Sanchit Agarwal is the Plant Head of M/s. Rayalaseema Industries (India) Pvt Ltd, Teegapur. He looks after the management of the plant and involves in decision making of purchases and sales. He further stated that the operations of M/s RIIPL are handled by the following key persons.

  (i) Shri. Nimesh Gadodia- He is the chairman of the Nav Durga Group. M/S RIIPL and M/S Scan Energy Power Ltd (GSTIN:36AAMCS185ILIZX) are the companies under the Nav Durga Group and all the key decisions in both these companies are made only with the approval of Shri Nimesh Gadodia.

  (ii) Shri Charanjib Das- He is the CEO of M/S RIIPL and M/s Scan Energy Power Ltd but his name is nowhere on paper. However, it is to submit that he is the key person who is interacting with the suppliers of raw materials and he decides about the outward sales of final product also.

  (iii) Shri Arun Dadhichi- He is Chartered Accountant of the company and he looks after all the Financial and Accounts matters of the company. The payments made by and received by both the said companies are controlled by him. Shri Rahul Bawri (Contact no. 9550587651) looks after the procurement of the store purchases required in the lant. He is also one of the two directors of M/S RIIPL.

- On being asked about the person in charge of on boarding vendors/ suppliers of raw materials, he stated that the vendors/ suppliers of raw materials are finalized by Shri Arun Dadichi in consultation with Shri Nimish Gadodia (Chairperson of M/S. RIIPL).

- On being asked about the 8 non-existent suppliers of M/s RIIPL as follows and ITC passed on to M/s RIIPL by them-

Sl.No.	GSTIN	Trade Name	ITC availed (in lakhs)
1	36ACCPF5127F1Z1	M/S. SF Enterprises	321.70
2	36CMTPA2201E1ZJ	M/S. AMZ Traders	169.80
3	36KVVPS6294G1ZC	M/S. Prime Trading co.	125.00
4	36DOTPA3702P1ZJ	M/S. SA Traders	98.60
5	36BBBPM4344Q1Z8	M/S. FK Trading	88.80
6	36AYRPA0237E1ZR	M/S. KAF Traders	39.38
7	36GFPPM2724R1ZJ	M/S. KM Traders	17.90
8	36BLEPM3260J1Z1	M/S. Global Trading	5.09
		Total	866.27

He stated that, the above suppliers of scrap are onboarded by Shri Arun Dadichi in consultation with Shri Nimish Gadodia (Chairperson of M/S. RIIPL). He is not aware of the genuineness of the above suppliers. They are the right persons who can comment on the genuineness of the above suppliers. His role in this regard is limited to entering the purchase bills into Tally system. He further stated that as per the provisions of Section 16(2) of the CGST Act, 2017, the input tax credit availed is not eligible to the company if the goods are not received. As seen from the contents of the above mentioned Panchanamas, it appears that the company has availed the Input Tax Credit form the non-existent/ fake taxpayer to the tune of Rs. 8.66 crores which is irregular in terms of Section 16(2) of the CGST Act, 2017.

4.2. Statement dated 01.08.2023/02.08.2023 of Shri Chiranjib Das:

- On being asked about his work profile in M/S Nav Durga Group (in short "M/s. NDG"), he stated that he is given the honorary post of Business Head, South-India Operation in M/S Nav Durga Group. He looks after the day to day operations of the plant, production, day to day maintenance and department laisioning like approvals from Govt. Departments, ISI, Pollution board etc. He also looks into Purchase of coal and iron billets and getting rate quotations for scrap, iron bars and iron wires. Initially he broadcasts rates through WhatsApp messages whenever there is a change of rate to all the regular scrap dealers from whom purchases are made i.r.o. M/s. SEPL and M/s. RIIPL. He communicates with the dealers regarding material being sent by the dealers to factory location and then the factory staff under his instructions follow up with unloading procedure at the factory. Whenever there is variation in weight or quality of scarp (w.r.t grades like commercial, cut, badravathi, heavy, and super heavy) of the load while unloading and if a complaint is raised, he attends to it. After this all the matters pertaining to invoicing, payments, accounts and taxation are attended by Shri Arun Dadhichi, Chief Financial Officer of M/s. NDG under the instructions of Shri Nimish Gadodia, who is the Chairman of M/S NDG.

- On being asked about the roles of the Directors/ Key Persons in the companies/ units, he stated that Mr. Rajesh Gadodia is the Chairman of Scan Steel Limited and is the one in charge of all its operations. Indrakaran Agarwal is the previous owner of Rayalseema Industries India Private Limited, Hyderabad and Rahul Bawri is one of the directors of the company and is in charge of stores purchase. Chand Kewat Kapoor looks after inspection of scrap received in the factory and oversees the production from the rolling mills for Scan Energy Power Limited. Nimish Gadodia is the Director of Eco Steel India Limited and is taking care of permissions to be obtained from authorities.

- On being asked whether there are any instances where goods were not received from the supplier and input tax credit was availed in violation of Section 16(2) of the CGST Act, 2017, he stated that, he is totally unaware of the taxation laws or CGST Act, 2017 as he is a technical person with respect to steel furnaces. Shri Arun Dadhichi, Chief

Financial Officer of M/s. NDG is the person who looks after the Financial and Accounts related matters and he is aware of CGST Act and taxation matters.

- On being asked whether M/s. RIIPL has availed input tax credit on the strength of invoices issued by the following companies-

S.No	GSTN	Trade Name	Total Assessable Value supplied to TP 1	ITC Involved	Panchanama/ letter dated
1	36ACCPF5127FIZ1	SF ENTERPRISES	1,787.2	321.7	01.06.2023
2	36CMTPA2201EIZJ	AMZ TRADERS	943.4	169.8	04.07.2023
3	36KVVPS6294GIZC	PRIME TRADING CO	692.7	125.0	04.05.2023
4	36DOTPA3702PIZJ	S.A TRADERS	547.8	98.6	24.05.2023
5	36BBBPM4344 IZ8	FK TRADING	493.4	88.8	28.04.2023
6	36AYRPA0237EIZR	KAF TRADERS	218.83	39.38	16.06.2023
7	36GFPPM2724RIZJ	KM TRADERS	99.4	17.9	04.10.2022
8	36BLEPM3260JIZ1	GLOBAL TRADING	28.29	5.09	26.09.2022
	TOTAL		4811.03	866.28	

He submitted that, he has technical expertise w.r.t steel furnaces and have no knowledge about the CGST Act,2017 or taxation. Hence, he cannot comment on the input tax credit (ITC) availed by M/S RIIPL. He has never spoken or made any correspondence through whatsapp/e-mail with the above listed non-existent entities. However, the dealers with whom he has corresponded might have supplied the goods on behalf of the above said entities.

- On being asked, whether he has received goods from the non-existent/ fake parties mentioned in above table, he stated that he has not mediated the purchases or received goods from the non-existent entities that are mentioned in the list above for manufacturing activity with regard to M/s. SEPL & M/s. RIIPL.

4.3. Statement dated 01.08.2023/02.08.2023 of Shri Arun Kumar Dadhichi:

- On being asked about the cash amount of Rs 58 Lakhs that has been recovered from his cabin, he submitted that the cabin belongs to Shri. Nimish Gadodia. The said cabin is being used by him whenever Shri. Nimish Gadodia is not in Hyderabad. The amount of Rs. 58 lakhs may be pertaining to either M/S. Scan & Power Ltd or M/S. Rayalaseema Industries India Pvt Ltd. The said amount of Rs. 58 lakhs don't belong to him.

- On being asked about the cash amount of Rs. 1 Crore recovered from his house during the Search conducted by GST officers dated 01.08.2023, he submitted that Shri. Nimish Gadodia had given him the said amount of Rs. 1 Crore to be kept in safe custody. The same amount kept in his house was seized by GST officers on 01.08.2023.

- On being asked about the following list of non-existing suppliers of M/s RIIPL, and shown him the panchanamas drawn by the GST officers-

Suppliers of M/S. Rayalaseema Industries (India) Pvt Ltd			
1	36ACCPF5127F1Z1	SF ENTERPRISES	01.06.2023
2	36CMTPA2201E1ZJ	AMZ TRADERS	04.07.2023
3	36KVVPS6294G1ZC	PRIME TRADING CO	04.05.2023
4	36DOTPA3702P1ZJ	S.A TRADERS	24.05.2023
5	36BBBPM4344Q1Z8	FK TRADING	28.04.2023
6	36AYRPA0237E1ZR	KAF TRADERS	16.06.2023
7	36GFPPM2724R1ZJ	KM TRADERS	04.10.2022
8	36BLEPM3260J1Z1	GLOBAL TRADING	26.09.2022

He stated that he is only a consultant of M/S. Scan Energy & Power Ltd & M/S. Rayalseema Industries (India) Pvt Ltd providing consultancy

services in respect of Finance & Accounts. Shri. Chiranjib Das looks after the purchases of both the companies. He further stated that, he has gone through the panchanamas wherein it is mentioned that the suppliers in the table are not existing but as stated, Shri. Chiranjib Das looks after the purchases.

- On being confronted through the statement dated 01.08.2023 of Shri. Chiranjib Das, Production Manager wherein he had stated that they had not received goods from above mentioned entities, he submitted that, if the production manager himself is stating that no goods were received, it may be construed that no goods were received. He was never informed before by the production manager that goods were not received from some entities.

- On being confronted through the statement of Shri Chiranjib Das regarding non receipt of goods and statements of Shri Rakesh Mourya and Shri Kapoor Chand Kewat dated 01.08.2023 wherein they categorically admitted that ITC availed is irregular as the invoices were issued by non-existent entities without underlying supplies, he submitted that, yes, from above it may be construed that the ITC availed and utilised by both M/S Scan and M/S Rayalaseema to the tune of Rs 12.22 Crores and 8.66 Crores is irregular and in violation of 16(2)(b) of CGST Act, 2017.

4.4. Statement dated 07.08.2023 & 11.10.2023 of Shri Nimish Gadodia:

- On being asked about his association with M/s Scan Energy & Power Ltd (in short M/S SEPL) and M/s Rayalseema Industries (India) Pvt Ltd, he stated that, he is one of the Directors in M/s Scan Energy & Power Ltd. He is one of the minor share-holder in M/s Rayalaseema Industries (India) Pvt Ltd through M/s. Nav Durga Fuel Pvt Ltd.

- On being asked about the reason for his non-appearance on 01.08.2023 when he was initially summoned to appear before the investigating officer on 01.08.2023, he stated that he was in Ranjgangapur, Odisha on 01.08.2023 when the search proceedings happened. He had informed the same to one of the officers over telephone on 01.08.2023 that he was in Odisha on that day. He was summoned to appear on the same date and received the same through Whatsapp from his staff. It was not

possible for him to appear before the concerned officer within such short notice.

- On being asked about the reason for his non-appearance on 04.08.2023 when he was summoned to appear before the investigating officer vide summons dated 03.08.2023, he submitted that, he stays in Rajgangpur, Sundergarh Dist. The nearest airport is Jharsuguda. He received the summons on 03.08.2023, He wanted to come by Flight SG-2947/2948 Hyd-Jharsuguda but it is learnt that the flight got cancelled prior to his booking so he was not able to come to this office. Which he communicated to the department through mail also.

- On being asked about the Google Map timeline for analysis proving that he was residing at Rajgangapur or Jharsuguda, Odisha during the period from 01.08.2023 to 05.08.2023, he stated that he has not brought his mobile phone on which he uses internet as the same was broken in family drama. He further submitted that he was within a radius of 100 km from his native place of Rajgangapur during the period from 01.08.2023 to 05.08.2023.

- On being asked about the reason for non-compliance of Hon'ble Telangana High Court order dated 02.08.2023 in writ petition no. 20815/2023 wherein he was directed to appear before the investigating authority on 04.08.2023, he stated that, he wanted to come from Flight SG-2947/2948 Hyd-Jharsuguda but it was learnt that the flight got cancelled prior to his booking so he was not able to come to this office. Which he communicated to the department through mail also. He further submitted that the nearest airport from his home is Jharsuguda and Raurkela. But flights for Hyderabad are available from Jharsuguda.

- On being asked about the reason of keeping the cash amount of Rs 58 Lakhs in the Banjara Hills Office, Hyderabad of M/s Scan Energy & Power Ltd, he stated that he is not aware how much amount of cash was there and of which company it belongs to but he was knowing cash balance is there. Only accountant can tell the reason of cash available in the office. He was taking report from Shri Arun Kumar Dadhichi, consultant, if required not on day to day basis.

- On being asked about the reason of recovering Rs 1 Crore from the house of Shri Arun kumar Dadhichi, group CFO during the Search

conducted by GST officers dated 01.08.2023 he stated that he had instructed Arun to keep the money required for day to day purpose in safe custody wherever he wants as per his will.

- On being shown the list of 8 common non-existing suppliers of M/s SEPL and M/s RIIPL, and whether he is in contact with any of the following suppliers:

Suppliers of M/S. RIIPL			
No.	GSTIN	Trade Name	Panchanama/ letter dated
1	36AYRPA0237E1ZR	KAF TRADERS	16.06.2023
2	36ACCPF5127F1Z1	SF ENTERPRISES	01.06.2023
3	36CMPTA2201E1ZJ	AMZ TRADERS	04.07.2023
4	36DOTPA3702P1ZJ	S.A TRADERS	24.05.2023
5	36GFPPM2724R1ZJ	KM TRADERS	04. 10.2022
6	36BLEPM3260J1Z1	GLOBAL TRADING	26.09.2022
7	36BBBPM4344Q1Z8	FK TRADING	28.04.2023
8	36KVVPS6294G1ZC	PRIME TRADING CO.	04.05.2023

He submitted that he is not aware about above list as the same suppliers may be in contact with their accountants and consultants Shri Arun Kumar Dadhichi as he looks after the payments to be made to suppliers.

- On being confronted with the panchanamas drawn of all 8 common suppliers of M/s SEPL and M/s RIIPL, wherein it was stated that the said unit is non-existent and how did he receive goods from the non-existent entity, he stated that he has read the Panchanamas where it is mentioned that the said suppliers are non-existent. He further submitted that he is not involved in the day to day activities of M/s. RIIPL and hence, this can be better explained by their consultants and Shri Arun Kumar Dadhichi and Shri Chiranjib Das.

- On being confronted with the statements dated 01.08.2023 of Shri. Chiranjib Das, Business head South India Operations (M/s. Nav Durga Group) wherein he had stated he had not mediated any purchases or

received goods from the non-existent entities, he stated that, he only looks after fund management and not the technical aspects. The said matters can be better explained by Shri. Chiranjib Das and Shri. Arun Kumar Dadhichi.

- On being confronted with statements of Shri Chiranjib Das and Shri Arun Kumar Dadhichi regarding non-receipt of goods and statement of Shri Rakesh Mourya dated 01.08.2023/02.08.2023 wherein he had categorically admitted that ITC availed is irregular as the invoices were issued by non-existing entities without underlying supplies, and whether he agrees that the ITC availed and utilized by the M/s RIIPL to the tune of Rs. 8.66 Crores is irregular and in violation of 16(2)(b) of CGST Act,2017, he submitted that, he does not look after the GST compliance in respect of M/s. RIIPL and the concerned persons for the same are Shri. Arun Kumar Dadhichi.

- On being asked to submit his mobile phone is existing condition, which he had promised to produce in his statement dated 07.08.2023, he submitted that he had brought the mobile phone on 09.08.2023 but my statement was not recorded on that day. Thereafter he had destroyed his mobile phone and purchased a new one.

5. Discussion, Analysis & Quantification of Demands:

5.1 Context of the Issue and Magnitude of Fake ITC Menace: The issue of issuance of invoices without any underlying supply of goods/services has become a big menace especially with regard to the suppliers of metal scrap. In usual scenario, the life cycle of metal scraps can broadly be classified into three types – 1) Scrap that has already completed its life cycle and thereby its credit cycle, 2) imported scrap and 3) Virgin scrap that originates from manufacturing industry primarily due to wastages in cutting etc. Cases involving fake ITC in metal scrap mostly pertain to scrap that has already completed its life cycle. In most of the cases, taxpayers claim that they are receiving domestic scrap and the same is eligible for Input Tax Credit as they have made payment to the supplier who is an intermediary, for the goods along with GST, but the same is fallacious as they use fake invoices to avail fraudulent Input Tax Credit on such scrap which is not duty paid as it is aggregated through waste and junk. It is seen that in such cases, quantity is

also fudged to garner excess fraudulent credit and accordingly transactions that would not have taken place are shown as legitimate by way of issuance of such fictitious invoices.

The modus operandi followed in such fraudulent transactions is discussed hereunder:

a. Taxpayers who issue invoices without any underlying supply of goods wherein there is no inward supply as per GSTR-2A/2B but only outward supply is shown in GSTR-1 in order to pass fraudulent ITC. Such taxpayers are the source of the cycle or originators.
b. Second layer of taxpayers who avail such fraudulent ITC from various fictious firms as above and pass on the said fraudulent ITC to various other taxpayers. These taxpayers are the middlemen and there may be more such layers for obfuscation in the cycle

c. Finally beneficiary taxpayers, who avail such fraudulent ITC from various fictious firms and utilize the same for payment of outward tax liability and are usually the end-users/beneficiaries in the cycle.

The said availment and passing of ITC is done with an intention to gain commission at each stage. The suppliers/recipients resort to making the bank transactions appear legit despite the same being fraudulent and without any underlying supply. The amounts received in the bank account would later be withdrawn in cash or channeled through other means. The transactions that run into crores of rupees are also created to defraud not just the GST authorities but also the banks to avail loans by showing exaggerated turnover despite being non-existent physically. It is a clear indication that these fraudulent taxpayers are misusing the facilities and benefits provided by the government wherein greater onus is placed on the taxpayers for ease of doing business. These acts are draining the resources of the government and causing severe leakage of resources and manpower which could have been used efficiently for other purposes to enhance the government revenue.

5.2. Further, to corroborate the fact that the following 11 suppliers are engaged in issuing invoices only without any actual supply of goods/services in connivance with the taxpayer, the field officers visited the registered address of these suppliers and unearthed their non-existence and drawn the panchanamas evidencing the non-existence of these suppliers. The petitioner

has received only invoices from the following non-existent suppliers without actual receipt of goods leading to fraudulent availment of Input tax credit in contravention of the provisions as inscribed in Section 16 (2)(b) of CGST Act, 2017.

(i) M/s SF Enterprises (GSTIN: 36ACCPF5127F1Z1): Panchanama dated 01.06.2023, drawn by the State GST officers, Rajendranagar-I Circle, Saroornagar Division, wherein, M/s SF Enterprises was found to be non-existent and no business activity was found at their declared principal place of business.

(ii) M/s AMZ Traders (GSTIN: 36CMTPA2201E1ZJ): Panchanama dated 04.07.2023, drawn by the Jurisdiction Range officer of Saroornagar GST Range, Saroornagar CGST Division, at the declared principal place of business of M/s AMZ Traders, wherein no business activity was found to be being conducted.

(iii) M/s Prime Trading Co. (GSTIN: 36KVVPS6294G1ZC): Panchanama dated 04.05.2023, drawn by the officers of Anti-Evasion Wing, Secunderabad CGST Commissionerate, at the declared principal place of business of M/s Prime Trading Co, wherein the said firm was found to be non-existent.

(iv) M/s SA Traders (GSTIN: 36DOTPA3702P1ZJ): Panchanama dated 24.05.2023, drawn by the State GST officers, at the declared principal place of business of M/ SA Traders, wherein no business activity was found to be being conducted for more than one year.

(v) M/s FK Trading Co (GSTIN: 36BBBPM4344Q1Z8): Panchanama dated 28.04.2023, drawn by the officers of Anti-Evasion Wing, Medchal CGST Commissionerate, wherein the said firm M/ FK Trading Co was found to be non-existent at their declared principal place of business.

(vi) M/s KAF Traders (GSTIN: 36AYRPA0237E1ZR): Letter dated 16.06.2023 was received from State Tax Officer, Malakpet Circle-I, Hyderabad, wherein, it was intimated that the said firm M/s KAF Traders is non-existent at their declared principal place of business and the registration was obtained by submitting false documents.

(vii) M/s KM Traders (GSTIN: 36GFPPM2724R1ZJ): Panchanama dated 04.10.2022, drawn by the Jurisdictional Range Officer of Shivrampally CGST Range, Mehdipatnam CGST Division, wherein the said firm M/ KM

Traders was found to be non-existent at their declared principal place of business.

(viii) M/s Global Trading Co (GSTIN: 36BLEPM3260J1Z1): As per Note Sheet dt 26.09.2022 in File No. HQAE/V/78/2020-21/Hyd-GST-AE, address of declared principal place of business of the said firm M/s Global Trading Co, could not be located, also the registered phone no. was non responsive. Further, it was found that the declared premise does not have the capacity to handle the volume of the trade declared as reflected in their returns.

(ix) M/s SM Traders (GSTIN: 36FEFPS8456L1ZL): Alert circular dated .06.2024 was issued by Hyderabad CGST Commissionerate in File No. HQAE/V/51/2022-23/HYD-GST-AE, wherein, it was intimated that M/s SM Traders is involved in availing and passing on fraudulent ITC without any underlying supply, and they have passed on fraudulent ITC to the tune of Rs. 13.43 Crores to the taxpayer M/s RIIPL.

(x) M/s Retech Enterprises (GSTIN: 37AKLPR7430E1ZX): Alert Circular no. 01/2023-24 (GST) dt. 24.05.2023 received from Guntur CGST Commissionerate, wherein, it was intimated that the said firm M/s Retech Enterprises is non-existent at their declared principal place of business and is created for the purpose of availing and passing on ineligible fake ITC and they have passed on fake ITC of Rs. 22.84 Lakhs to the taxpayer M/s RIIPL. Another reference was also received vide Alert Circular dated 14.11.2023 received from DGGI, Vishakhapatnam Zonal Unit, wherein, it was intimated that M/s Retech Enterprises was found to be non-existent as per panchanama dt. 17.05.2022 & 04.01.2023, and they are indulged in generating and issuing fake invoices without supply of goods/ services leading to wrongful availment of ITC by their recipient units. Further, it was informed that they have passed on fraudulent ITC of Rs. 22.84 Lakhs to M/s RIIPL.

(xi) M/s SB Enterprises (GSTIN: 37AECPF9741F1ZJ): Alert Circular dated 14.11.2023 was received from DGGI, Vishakhapatnam Zonal Unit, wherein, it was intimated that M/s SB Enterprises was found to be non-existent as per report submitted by investigating officer dt. 11.05.2022, and they are indulged in generating and issuing fake invoices without supply of goods/ services leading to wrongful availment of ITC by their recipient units. Further, it was informed that they have passed on fraudulent ITC of Rs. 17.06 Lakhs to M/s RIIPL.

In view of the above, it is evident that the above non-existing suppliers who are functioning only on the papers but in reality, they don't exist physically. The registrations have been obtained by the fraudulent entities only for issuance of invoices without any underlying supply. In brief, the said entities are involved in bill trading only, thereby causing a huge loss to the Government Exchequer. Hence, it appears that the taxpayer has availed Input Tax Credit fraudulently on the basis of Invoices received from the non-existing entities without actual receipt of goods which is in violation of Section 16(2)(b) of the CGST Act, 2017 and rules made thereunder.

5.3. Further, all the key personnel of M/s RIIPL along with Shri Nimish Gadodia has played a significant role in the whole racket of fraudulently availing and utilizing of input tax credit from non-existing supplier without receipt of goods/services, wherein, Shri Nimish Gadodia is the mastermind behind the whole racket. The brief of role played by the above key persons M/s RIIPL and M/s Navdurga Group in the whole conspiracy is given hereunder:

(i) Role played by Shri. Arun kumar Dadhichi :

Shri Arun Kumar Dadhichi is the Chief Financial Officer of M/s. Nav Durga Group (wherein M/s. Scan Energy and Power Ltd and M/s. Rayalaseema Industries (India) Private Limited are part of) and as per the website of M/s. Nav Durga Group, the said person is leading the Finance & Accounting team of the Group. He is admittedly looking after the work of CFO. Shri. Arun Kumar Dadhichi handles payments related to sale and purchase of materials in respect of both M/s. Scan Energy and Power Ltd and M/s. Rayalaseema Industries (India) Private Limited. Being, Chief Financial Officer, Shri. Arun Kumar Dadhichi is responsible and is the key conspirator for fraudulent availment and utilization of Input Tax Credit without actual receipt of goods.

(ii) Role played by Shri. Chiranjib Das :

Shri. Chiranjib Das is the Business Head, South Indian Operations of Nav Durga Group (wherein M/s. Scan Energy and Power Ltd and M/s. Rayalaseema Industries (India) Private Limited are part of). Shri. Chiranjib Das is also the Chief Executive Office of both M/s. Scan Energy and Power Ltd & M/s. Rayalaseema Industries India Pvt Ltd. He looks after the day to day operations of the plant; he also looks into Purchase of coal and iron pillets and getting rate quotations for scrap, iron bars and iron wires. However, in his statement dated 01.08.2023/02.08.2023 he accepted that they never received material from the non-existent entities. Shri. Chiranjib Das, being the

operational Head is responsible and is the key conspirator for fraudulent availment and utilization of Input Tax Credit without actual receipt of goods.

(iii) Role played by Shri. Rakesh Mourya:

Shri. Rakesh Mourya is the Director of M/s. Rayalaseema Industries (India) Private Limited (M/s. RIIPL), a group company of Nav Durga Group. He has admitted in his voluntary statement dated 01.08.2023/02.08.2023 that the fraudulent ITC to the tune of Rs. 8.66 crores was availed and utilized by M/s RIIPL as it was based on the invoices received from the non-existing entities without actual receipt of goods. Being, the director of M/s RIIPL he is responsible for conduct of the business and is the key conspirator for fraudulent availment and utilization of Input Tax Credit without actual receipt of goods.

(iv) Role played by Shri Nimish Gadodia:

Shri. Nimish Gadodia, Chairman of Nav Durga group of which both SEPL & RIIPL are group companies was stated to be the mastermind of the conspiracy in the statements recorded & the said person had not fully cooperated with the summons proceedings initiated by the respondent. The said person had blatantly disregarded the directions issued by this Hon'ble Court in Writ Petition No. 20815 of 2023. Shri. Nimish Gadodia did not appear before the summoning officer on 04-08-2023. Shri. Nimish Gadodia had not cooperated with the ongoing investigation in as much as he had not submitted his phone which was initially stated to have been damaged. Further, the said person in his latest statement had admitted that he had destroyed his mobile phone. The said aspects only reveal his intention to destroy/tamper with the evidence which is crucial in the course of investigation. Shri. Nimish Gadodia who was stated as the decision maker in respect of M/s. SEPL & M/s. RIIPL had stated that he is unaware of GST related provisions, resorted to furnish evasive replies and thereby tried to scuttle the process of investigation.

The taxpayer is very well aware that the above suppliers are non-existent and they have not proved their existence or countered the non-existence with any credible evidence. The statute places great onus on the taxpayers in terms of Section 155 of the CGST Act, 2017 to prove the eligibility of Input Tax Credit as prescribed in Section 16 of the CGST Act, 2017. However, the same was misused by the taxpayer to derive illegal benefits leading to a fraud of such magnitude. Moreover, the key managerial personnel namely Shri Rakesh

Mourya, Shri Arun Kumar Dadhichi and Shri Chiranjib Das in their statements deposed under Section 70 of the CGST Act, 2017 have voluntarily admitted to the ineligibility of the ITC as the goods were not received. Also, all the key managerial personnel of SEPL & RIIPL have pointed to Shri. Nimish Gadodia being the mastermind in the said fraud. Further, it is seen that the payments made by the petitioner in cash have decreased drastically over the course of 5 years leading to a scam running into more than Rs. 150 Crore by both SEPL & RIIPL together. From the foregoing, it is a clear indication that a criminal conspiracy was hatched by Shri. Nimish Gadodia along with Shri. Arun Kumar Dadhichi, Shri. Chiranjib Das and some others unknown to defraud the government wherein Shri. Rakesh Mourya was appointed as namesake directors of M/s RIIPL to take the civil and criminal liabilities and profiteer using fraudulent credit under the guise of genuine business.

5.4. The above act of fraudulent availment of Input Tax Credit on the basis invoices received from non-existent entities, without any underlying supply of goods, by M/s RIIPL is in violation of provisions of the Central Goods and Services Act, 2017 and rules made thereunder. Further, Shri. Arun Kumar Dadhichi, CFO of Nav Durga Group has been in-charge of the Finance and banking matters of M/s RIIPL. He was looking after the payments relating to the sales and purchases in respect of the entity i.e., M/s RIIPL. Shri. Rakesh Mourya being the Director and authorized signatory of M/s RIIPL is responsible for taxation matters in respect of M/s RIIPL. Shri. Chiranjib Das is the Business Head, South Indian Operations of Nav Durga Group (wherein M/s. Scan Energy and Power Ltd and M/s. Rayalaseema Industries (India) Private Limited are part of), he is also the Chief Executive Office of both M/s. Scan Energy and Power Ltd & M/s. Rayalaseema Industries India Pvt Ltd. Shri Nimish Gadodia is the mastermind and key conspirator of the whole criminal conspiracy and chairman of M/s Navdurga Group, under which M/s SEPL and M/s RIIPL are the group companies. The offence of fraudulent availment of Input Tax Credit on the basis invoices received from non-existent entities, without any underlying supply of goods was carried out on their instructions. Hence, Shri. Arun Kumar Dadhichi, Shri Chiranjib Das, Shri. Rakesh Mourya and Shri Nimish Gadodia shall be guilty of the offence stated above in terms of the clause (c) of Section 132 (1) of CGST Act, 2017 & sub-section (1) of Section 137 of CGST Act, 2017 and are punishable under the provisions of clause (i) of Section 132 (1) of the CGST Act, 2017 which reads as under:

Section - 132. Punishment for certain offences:

(1) Whoever commits any of the following offences, namely : -

a. *Supplies any goods or services or both without issue of any invoice, in violation of the provisions of this Act or the rules made thereunder, with the intention to evade tax;*

b. *(b) issues any invoice or bill without supply of goods or services or both in violation of the provisions of this Act, or the rules made thereunder leading to wrongful availment or utilisation of input tax credit or refund of tax;*

c. *(c) avails input tax credit using such invoice or bill referred to in clause (b*

d. *.....*

.....

(l) .....

(i) in cases where the amount of tax evaded or the amount of input tax credit wrongly availed or utilised or the amount of refund wrongly taken exceeds five hundred lakh rupees, with imprisonment for a term which may extend to five years and with fine;

(ii) in cases where the amount of tax evaded or the amount of input tax credit wrongly availed or utilised or the amount of refund wrongly taken exceeds two hundred lakh rupees but does not exceed five hundred lakh rupees, with imprisonment for a term which may extend to three years and with fine;

(iii) in the case of any other offence where the amount of tax evaded or the amount of input tax credit wrongly availed or utilised or the amount of refund wrongly taken exceeds one hundred lakh rupees but does not exceed two hundred lakh rupees, with imprisonment for a term which may extend to one year and with fine;

(iv) in cases where he commits or abets the commission of an offence specified in clause (f) or clause (g) or clause (j), he shall be punishable with imprisonment for a term which may extend to six months or with fine or with both.

(2) Where any person convicted of an offence under this section is again convicted of an offence under this section, then, he shall be punishable for the second and for every subsequent offence with imprisonment for a term which may extend to five years and with fine.

(3) The imprisonment referred to in clauses (i), (ii) and (iii) of sub-section (1) and sub-section (2) shall, in the absence of special and adequate reasons to the contrary to be recorded in the judgment of the Court, be for a term not less than six months.

(4) Notwithstanding anything contained in the Code of Criminal Procedure, 1973, all offences under this Act, except the offences referred to in sub-section (5) shall be non-cognizable and bailable.

(5) The offences specified in clause (a) or clause (b) or clause (c) or clause (d) of sub-section (1) and punishable under clause (i) of that sub-section shall be cognizable and non-bailable.

(6) A person shall not be prosecuted for any offence under this section except with the previous sanction of the Commissioner.

"Section 137. Offences by companies-

(1) Where an offence committed by a person under this Act is a company, every person who, at the time the offence was committed was in charge of, and was responsible to, the company for the conduct of business of the company, as well as the company, shall be deemed to be guilty of the offence and shall be liable to be proceeded against and punished accordingly.

(2) Notwithstanding anything contained in sub-section (1), where an offence under this Act has been committed by a company and it is proved that the offence has been committed with the consent or connivance of, or is attributable to any negligence on the part of, any director, manager, secretary or other officer of the company, such director, manager, secretary or other officer shall also be deemed to be guilty of that offence and shall be liable to be proceeded against and punished accordingly.

....

....."

5.5. In view of the above facts of the case, available records and evidences and voluntary statements deposed by the key managerial persons of M/s RIIPL and M/s Navdurga Group namely, Shri Rakesh Mourya, Shri Chiranjib Das and Shri Arun Kumar Dadhichi, it appears that the taxpayer is indulged in circular bill trading for passing on and availing fraudulent input tax credit from non-existent entities without any underlying supply by defrauding the government exchequer in contravention of Section 16 of the CGST Act, 2017 read with Section 41 of the CGST Act, 2017 and the rules made thereunder. Accordingly, the input tax credit availed by the taxpayer by way of fraud is given hereunder:

5.5.1. Fraudulently availing input tax credit from non-existent entities on the strength of invoice without underlying supply:

5.5.1.1. Shri. Rakesh Mourya, S/o Shri. Kulamani Mourya, Director of M/s. Rayalaseema Industries (India) Pvt Ltd, Shri Chiranjib Das, Business Head, South -India Operation of M/s Nav Durga Group and Shri. Arun Kumar Dadhichi, CFO of M/s Navdurga Group, in their voluntary statement dated 01.08.2023/02.08.2023 has admitted to the fact that they have not received any goods from the 8 common non-existent suppliers of M/s SEPL and M/s RIIPL and they have availed fraudulent ITC to the tune of Rs. 8.66 Crores on the basis of invoices issued by these non-existent entities without any underlying supply of goods in contravention of Section 16(2) of the CGST Act, 2017, thereby leading to evasion of GST liability.

5.5.1.2. Further, it also came to notice through various alert circulars and Annexure-Bs received from other formations, that other than those 8 common non-existent suppliers of M/s SEPL and M/s RIIPL, 3 additional suppliers which were found to be non-existent during verification, had passed on fake ITC to the taxpayer without any underlying supply, which was subsequently availed and utilized by the taxpayer in contravention of Section 16(2) of the CGST Act, 2017.

5.5.1.3. Accordingly, the fraudulent input tax credit availed and utilized by M/s RIIPL, without receipt of goods in contravention of Section 16(2) of the CGST Act, 2017 during the period of April 2018 to March 2024 passed on by the total 11 non-existent suppliers (8 initial common suppliers plus 3 subsequently reported in Alert Circulars/ verification report by the department), is given hereunder-

Fraudulent ITC availed and utilized by M/s Rayalaseema Industries (India) Pvt Ltd:

Sr. No.	GSTIN	Reference/ Panchanama	Taxable Value	IGST	CGST	SGST
1.	36ACCPF5127F1Z1 (Legal name: SHAIK FEROZ) (Trade Name: S.F. ENTERPRISES) Cancelled Suo-moto w.e.f. 02-08-2019	As per Panchanama dated 01.06.2023, No business activity at the declared PPoB	17,80,93,619	-	1,60,28,426	1,60,28,426
2.	36AYRPA0237E1ZR (Legal name: KAFEEL AHAMAD) (Trade Name: K.A.F. TRADING CO) Cancelled Suo-moto	Registration obtained fraudulently by submitting false documents and the unit is non-existent as per Letter dt 16.06.2023 from SGST	2,18,83,068	-	19,69,476	19,69,476

	w.e.f. 09.12.2022					
3.	36BBBPM4344Q1Z8 (Legal name: KAMAL MDFAHAT) (Trade Name: FK TRADING Co.) Cancelled Suo-moto w.e.f. 05-01-2022	Non- existent entity as per panchanama dt 28.04.2023	4,93,35,801	-	44,40,222	44,40,222
4.	36BLEPM3260J1Z1 (Legal name: JUNAID MALIK) (Trade Name: GLOBAL TRADING CO.) Cancelled Suo-moto w.e.f. 24-11-2020	Address could not be located/ Phone No non responsive and or the declared premise does not have the capacity to handle the volume of the trade declared as reflected in their returns as per Note Sheet dt 26.09.2022	28,29,525	-	2,54,657	2,54,657
5.	36CMTPA2201E1ZJ (Legal name: MOHAMMED AZMATH ALI) (Trade Name: AMZ TRADERS) Cancelled Suo-moto w.e.f. 01-08-2021	As per Panchanama dated 04.07.2023, No business activity at the declared PPoB.	9,47,52,439	-	85,27,720	85,27,720
6.	36DOTPA3702P1ZJ (Legal name: ASLAM AHMED) (Trade Name: S.A. TRADERS) Cancelled Suo-moto w.e.f. 09-09-2021	As per Panchanama dated 24.05.2023, No business activity at the declared PPoB	5,54,64,531	-	49,91,808	49,91,808
7.	36FEFPS8456L1ZL (Legal name: SHAIK SADDAM) (Trade Name: M/s SM Traders) Cancelled suo-moto (Effective from 31/08/2023) (DOR: 16/02/2018)	Alert Circular dt. 00.06.2024 received from Hyderabad GST Commissionerate.	74,64,23,423	-	6,71,78,108	6,71,78,108
8.	36GFPPM2724R1ZJ (Legal name: KAIF MALIK)	No Business activity and no firm is existing at the declared premise as per panchanma dt 04.10.2022	99,39,665	-	8,94,570	8,94,570

	(Trade Name: M/S K M TRADERS) Cancelled Suo-moto w.e.f. 08-10-2020					
9.	36KVVPS6294G1ZC (Legal name: MOHD SHAZEB) (Trade Name: PRIME TRADING CO.) Cancelled Suo-moto w.e.f. 13-11-2021	As per Panchanama dt. 04.05.2023, No such company exist at the declared premises	6,92,72,403	-	62,34,516	62,34,516
10.	37AKLPR7430E1ZX (Legal name: HAFIZUR REHMAN) (Trade Name: M/s Retech Enterprises) Cancelled Suo-moto w.e.f. 22.07.2022 (DOR: 27.10.2021)	1. Alert Circular no. 01/2023-24 (GST) dt. 24.05.2023 received from Guntur CGST Commissionerate 2. Alert Circular dated 14.11.2023 received from DGGI, VZU M/s Retech Enterprises, was found to be non-existent as per Panchanama dt. 17.05.2022 & 04.01.2023.	1,26,91,728	22,84,511	-	-
11.	37AECPF9741F1ZJ (Legal name: Mohammad Faizan) (Trade Name: M/s S.B. Enterprises) (Cancelled suo-moto (Effective from 07/03/2022) (DOR: 02/03/2022))	Alert Circular dated 14.11.2023 received from DGGI, VZU M/s SB Enterprises, was found to be non-existent as per report submitted by investigating officer dt. 11.05.2022.	94,80,425	17,06,477	-	-
		Total	**1,25,01,66,625**	**39,90,987**	**11,05,19,503**	**11,05,19,503**
		Grand total of ITC in Rs.	**22,50,29,993/-**			

5.5.1.4. As per Section 16(2)(b) of the CGST Act, 2017, the taxpayer must have received goods for availing input tax credit. Section 16(2)(b) of the CGST Act, 2017 is reproduced hereunder:

> *16. Eligibility and conditions for taking input tax credit: -*
>
> *(1) Every registered person .....*
>
> *(2) Notwithstanding anything contained in this section, no registered person shall be entitled to the credit of any input tax in respect of any supply of goods or services or both to him unless,—*

(a) he is in possession of a tax invoice or debit note issued by a supplier registered under this Act, or such other tax paying documents as may be prescribed;

(b) he has received the goods or services or both.

....

Therefore, the Input Tax Credit was availed fraudulently by the taxpayer in contravention of the provisions of Section 16(2)(b) of the CGST Act, 2017 in as much as the goods were not received from the entities which are non-existing as tabulated above and such firms were floated for sole purpose of passing on fraudulent input tax credit and further availing such ITC by M/s RIIPL without actual supply of goods/services.

5.5.1.5. Central Board of Indirect Taxes and Customs, GST Policy Wing, Government of India, Ministry of Finance, Department of Revenue vide Circular No. 171/03/2022-GST dated 6th July, 2022 (F. No. CBIC-20001/2/2022-GST) has clarified the issue of dealing with cases of fraudulent availment of Input tax credit:

Issue: *A registered person "A" has issued tax invoice to another registered person "B" without any underlying supply of goods or services or both. 'B' avails input tax credit on the basis of the said tax invoice. B further issues invoice along with underlying supply of goods or services or both to his buyers and utilizes ITC availed on the basis of the above mentioned invoices issued by 'A', for payment of his tax liability in respect of his said outward supplies. Whether 'B' will be liable for the demand and recovery of the said ITC, along with penal action, under the provisions of section 73 or section 74 or any other provisions of the CGST Act.*

Clarification: *Since the registered person 'B' has availed and utilized fraudulent ITC on the basis of the said tax invoice, without receiving the goods or services or both, in contravention of the provisions of section 16(2)(b) of CGST Act, he shall be liable for the demand and recovery of the said ITC, along with penal action, under the provisions of section 74 of the CGST Act, along with applicable interest under provisions of section 50 of the said Act. Further, as per provisions of section 75(13) of CGST Act, if penal action for fraudulent availment or utilization of ITC is taken against 'B' under section 74 of CGST Act, no penalty for the same act, i.e. for the said fraudulent availment or utilization of ITC, can be imposed on 'B' under any other provisions of CGST Act, including under section 122.*

2. The fundamental principles that have been delineated in the above scenarios may be adopted to decide the nature of demand and penal action to be taken

against a person for such unscrupulous activity. Actual action to be taken against a person will depend upon the specific facts and circumstances of the case which may involve complex mixture of above scenarios or even may not be covered by any of the above scenarios. Any person who has retained the benefit of transactions specified under sub-section (1A) of section 122 of CGST Act, and at whose instance such transactions are conducted, shall also be liable for penal action under the provisions of the said sub-section. It may also be noted that in such cases of wrongful/ fraudulent availment or utilization of input tax credit, or in cases of issuance of invoices without supply of goods or services or both, leading to wrongful availment or utilization of input tax credit or refund of tax, provisions of section 132 of the CGST Act may also be invokable, subject to conditions specified therein, based on facts and circumstances of each case.

5.5.1.6. In pursuance of the directions given by the Hon'ble High Court of Telangana vide IA No. 01 of 2023 in WP No. 25810 of 2023, the taxpayer M/s Rayalaseema Industries (India) Pvt Ltd had paid an amount of Rs. 86,64,000/- (CGST Rs. 43,32,000/-; SGST Rs. 43,32,000/-) by debiting the electronic cash ledger i.e. 10% of the disputed amount of Rs. 8.66 Crores has been made by them vide DRC-03 No. AD361123003090Y dated 07.11.2023 as directed by the Hon'ble High Court of Telangana.

5.5.1.7. In view of the above, it is found that the taxpayer M/s Rayalaseema Industries (India) Pvt Ltd are liable to pay/reverse the ineligible fraudulently availed input tax credit without any underlying supply to the extent of Rs. 22,50,29,993/- (IGST Rs. 39,90,987/-; CGST Rs. 11,05,19,503/-; SGST Rs. 11,05,19,503/-) along with applicable interest and penalty thereon. Further, the taxpayer is liable for penal action under Section 74 read with Section 122 of the CGST Act, 2017, in as much as they have suppressed the facts and contravened the aforesaid provisions of the CGST Act, 2017 and the Rules made thereunder with an intent to evade the payment of GST and to defraud the Government exchequer by way of willful misstatement of facts and availing irregular /fraudulent ITC. Further, an amount of Rs. 86,64,000/- (CGST Rs. 43,32,000/-; SGST Rs. 43,32,000/-) paid by the taxpayer by debiting the electronic cash ledger vide DRC-03 No. AD361123003090Y dated 07.11.2023 consequent upon the directions of the Hon'ble High Court of Telangana vide IA No. 01 of 2023 in WP No. 25810 of 2023 may be appropriated against the ineligible ITC availed & utilized by them.

5.5.1.8. Further, Shri. Arun Kumar Dadhichi, in the capacity of CFO of M/s Nav Durga group, Shri. Chiranjib Das, in the capacity of Business Head, South India Operations of M/s Nav Durga group, Shri. Rakesh Mourya in the capacity

of Director of M/s RIIPL & Shri Nimish Gadodia, Chairman of Nav Durga group of which both SEPL & RIIPL are group companies, are also liable for personal penalty under of the provisions of Section 122(3)(a) CGST Act, 2017/ TGST Act 2017, for aiding and abetting in the offences stated above. The relevant provisions of Section 122(3) of the CGST Act, 2017 are reproduced below-

Section 122. Penalty for certain offences-

(3) Any person who-

(a) aids or abets any of the offences specified in clauses (i) to (xxi) of subsection (1);

(b) acquires possession of, or in any way concerns himself in transporting, removing, depositing, keeping, concealing, supplying, or purchasing or in any other manner deals with any goods which he knows or has reasons to believe are liable to confiscation under this Act or the rules made thereunder;

(c) receives or is in any way concerned with the supply of, or in any other manner deals with any supply of services which he knows or has reasons to believe are in contravention of any provisions of this Act or the rules made thereunder;

(d) fails to appear before the officer of central tax, when issued with a summon for appearance to give evidence or produce a document in an inquiry;

(e) fails to issue invoice in accordance with the provisions of this Act or the rules made thereunder or fails to account for an invoice in his books of account, ***shall be liable to a penalty which may extend to twenty-five thousand rupees.***

5.5.2. Availment of irregular/ineligible ITC:

5.5.2.1 In terms of Section 16(2) of the CGST Act, 2017, the taxpayer is not eligible to avail input tax credit in respect of such supplies for which the tax has not been paid to the government either in cash or through utilisation of input tax credit admissible in respect of the said supply. Further, in terms of Section 41 of the CGST Act, 2017, the credit of input tax availed by a registered person under sub-section (1) of the said section, in respect of such supplies of goods or services or both, the tax payable whereon has not been paid by the supplier, shall be reversed along with applicable interest, by the said person.

5.5.2.2. On scrutiny of the GSTR-2A/2B statements of taxpayer, available on the GST portal, and GSTR-3B returns filed by the taxpayer for the period from April, 2018 to March, 2024, it was observed that the taxpayer has availed irregular/ineligible ITC to the tune of Rs. 31,16,724/- (IGST Rs. 8,95,628/-; CGST Rs. 8,81,484/-; SGST Rs. 8,81,484/-; Cess Rs. 4,58,128/-) in respect of such supplies, for which the tax has not been paid to the government by the concerned suppliers, in other words these suppliers have not filed their GST-3B returns for the relevant period as tabulated below-

Sr. No.	GSTIN	Legal Name	Taxable Value	IGST	CGST	SGST	Cess
1	03AATFV6061D1Z3	VIMCO ROLLS INDUSTRIES	9,74,000	1,75,320	-	-	-
2	03AFTPS2662C1ZE	SATBIR PAL SINGH	15,18,000	2,73,240	-	-	-
3	06HAIPS5809C1ZJ	ANOOP SHARMA	35,000	1,750	-	-	-
4	07AAJFK2861J1Z3	KISHORE SCIENTIFIC	6,33,903	1,02,496	-	-	-
5	09AAFCT3207N1Z2	TANISHQ INDUSTRIES PRIVATE LIMITED	11,95,500	2,15,190	-	-	-
6	19AIHPG1164E1ZJ	RAHUL SINGH GILL	2,97,511	53,552	-	-	-
7	19AJFPG5030L1Z7	DHIRA GHOSH	40,180	7,232	-	-	-
8	21AEKPR0187B1ZU	RAJANI RATERIA	2,64,792	47,663	-	-	-
9	27AACPC1599C1Z1	GAJANAN RAJARAM CHAVAN	50,932	9,168	-	-	-
10	29AAPHM8975F1ZB	MUKESH KUMAR VERMA & SONS HUF	30,366	-	-	-	-
11	29AJXPC9492J1Z6	PANDIRA PALLE CHANDRA OBULA REDDY	38,317	1,916	-	-	-
12	36AABFR0136M1Z9	RAJKOT ENGINEERING CORPN	19,500	-	1,755	1,755	-
13	36AADCK5419K1ZC	KRISHNAKRUPA CONSTRUCTIONS & ENGINEERING WORKS PRIVATE LIMITED	11,70,000	-	1,05,300	1,05,300	-
14	36AAECK9885A1ZA	KOUNDINYA MARKETING PRIVATE LIMITED	5,31,586	-	47,843	47,843	-
15	36AAICS3821N1ZZ	SESHA SAI ISPAT PRIVATE LIMITED	29,51,680	-	2,65,651	2,65,651	-

16	36ABWFS1098P1Z0	SHIVA ENTERPRISES	1,38,858	-	12,497	12,497	-
17	36ACAPV7498P1ZG	RENUKA VEERAPANENI	4,84,550	-	43,610	43,610	-
18	36ADAPJ2674E1ZT	NAVRATAN JAIN	36,610	-	2,482	2,482	-
19	36ADBPR6059G1ZD	SUSHA PAVITHRAN	65,300	-	5,877	5,877	-
20	36ADCPJ3690A1ZX	ANIL KUMAR JAIN	4,76,148	-	42,853	42,853	-
21	36AEKFS0754H1ZU	SRI LAKSHMI VENKATESHWARA ENTERPRISES	1,08,493	-	9,576	9,576	-
22	36AQAPP4224F1Z4	SHIVA PRASAD PURI	81,67,186	-	2,04,180	2,04,180	4,58,128
23	36ARBPV8399P1ZI	VIJAY SINGH	7,62,144	-	68,593	68,593	-
24	36AVCPM9392G1Z6	SHANKI PRAKASH MEHTA	28,235	-	2,541	2,541	-
25	36BBDPJ1411K1ZZ	MADHUR JHAWAR	50,978	-	4,588	4,588	-
26	36BEXPD7530Q1ZN	ANJANI DEVI DAVULURI	33,000	-	2,970	2,970	-
27	36BXTPM3256P1ZI	PASHA HUSSAIN ALTAF MOHAMMED	6,79,650	-	61,169	61,169	-
28	37AADCK5419K1ZA	KRISHNAKRUPA CONSTRUCTIONS & ENGINEERING WORKS PRIVATE LIMITED	45,000	8,100	-	-	-
		Total	**2,08,27,419**	**8,95,628**	**8,81,484**	**8,81,484**	**4,58,128**
		Grand Total	**Rs. 31,16,724/-**				

5.5.2.3. Further, in terms of sub-rule (3) of the Rule 21A of the CGST Rules, 2017, a registered person whose registration is suspended under sub-rule (1) or sub-rule (2) or sub-rule (2A), shall not make any taxable supply during the period of suspension. Further, or the purposes of this sub-rule, the expression "shall not make any taxable supply" shall mean that the registered person shall not issue a tax invoice and, accordingly, not charge tax on supplies made by him during the period of suspension. Further, in terms of Section 16(2)(a) of the CGST Act, 2017, the foremost condition to avail input tax credit for any inward supply is that the taxpayer must be in possession of a valid invoice. On perusal of the GSTR-2A/2B statements of taxpayer, available on the GST portal, and GSTR-3B returns filed by the taxpayer for the period from April 2018 to March 2024, it was observed that the taxpayer has availed irregular/ineligible ITC to the tune of Rs. 13,54,45,679/- (IGST Rs. 5,51,184/-;

CGST Rs. 6,74,47,248/-; SGST Rs. 6,74,47,248/-) in respect of such invoices which were issued by the suppliers after cancellation of their registration in contravention of Section 31 of the CGST Act, 2017 read with Rule 21A of the CGST Rules, 2017, as tabulated below-

Sr. No.	GSTIN	Legal Name	Date of Cancellation	Sum of Taxable Value	Sum of IGST	Sum of CGST	Sum of SGST
1	36ABLPZ3669G1ZX	ZUBER	10-05-2022	58,28,790	-	5,24,591	5,24,591
2	36CMIPM1280Q1ZG	SYED MAJEED	31-01-2023	2,39,80,296	-	21,58,227	21,58,227
3	36DHGPA5935L1Z4	SYED AMER	29-12-2020	2,42,25,853	-	21,80,327	21,80,327
4	36DRSPM2590B1ZJ	SHAIBER MALIK	22-10-2018	18,44,76,946	-	1,66,02,926	1,66,02,926
5	36JHDPS6109B1ZC	Mohd Shadab	07-09-2021	16,07,864	-	1,44,708	1,44,708
6	36MBBPS8102F1ZI	MOHD SHAKER	10-01-2021	74,34,483	-	6,69,103	6,69,103
7	36NACPS5371D1ZD	SHAIK MINHAJ SHAREEF	07-02-2023	8,66,98,462	-	78,02,862	78,02,862
8	37AARCA7872N1ZN	ABCS ENGINEERING PRIVATE LIMITED	02-11-2019	26,71,400	4,80,852	-	-
9	37DDCPA7188B1ZQ	MD KHOBAIB ANSARI	31-01-2023	3,90,733	70,332	-	-
10	36AARFD9537C1Z5	DIAMOND TRADERS	23-03-2021	3,57,76,633	-	32,19,896	32,19,896
11	36ALKPA8273E2Z3	ANWAR	12-Sep-18	9,19,36,003	-	82,74,240	82,74,240
12	36AOSPM8622G1ZH	MOHAMMED WASEEM MUMTAZ	29-Sep-21	7,00,650	-	63,059	63,059
13	36AXHPM6232E1ZK	SHAIK MUBEEN	13-Mar-20	28,64,57,031	-	2,57,81,133	2,57,81,133
14	36FOBPK5910P1ZJ	ARSHAD KHAN	06-Aug-21	2,90,850	-	26,177	26,177
			Total	**75,24,75,992**	**5,51,184**	**6,74,47,248**	**6,74,47,248**
			Grand Total	**Rs. 13,54,45,679/-**			

5.5.2.4. In view of the foregoing, it appears that the taxpayer has availed irregular/ineligible input tax credit to the tune of Rs. 13,85,62,403/- (IGST Rs. 14,46,811/-; CGST Rs. 6,83,28,732/-; SGST Rs. 6,83,28,732/-; Cess Rs. 4,58,128/-) as discussed supra, along with applicable interest and penalty thereon. Further, the taxpayer M/s Rayalaseema Industries (India) Pvt Ltd is liable for proceedings under Section 74 read with Section 122 of the CGST Act, 2017, in as much as the fact that they have availed irregular/ineligible ITC without payment of tax to the government or on the strength of invalid invoices, have come to light only after initiation of departmental proceedings and suppressed the material facts with an intent to evade payment of tax.

6. In view of the above, the tax liability on the issues discussed above is summarized hereunder:

6.1. Fraudulent availing and utilization of input tax credit passed on by non-existing suppliers during the period FY 2018-19 to 2023-24 without any underlying supply in contravention of Section 16(2)(b) of the CGST Act, 2017 to the extent of Rs. 22,50,29,993/- (IGST Rs. 39,90,987/-; CGST Rs.

11,05,19,503/-; SGST Rs. 11,05,19,503/-) along with applicable interest and penalty thereon. Further, the taxpayer is liable for penal action under Section 74 read with Section 122 of the CGST Act, 2017, in as much as they have suppressed the facts and contravened the aforesaid provisions of the CGST Act, 2017 and the Rules made thereunder with an intent to evade the payment of GST and to defraud the Government exchequer by way of wilful misstatement of facts and availing irregular /fraudulent ITC. An amount of Rs. 86,64,000/- (CGST Rs. 43,32,000/-; SGST Rs. 43,32,000/-) paid by the taxpayer by debiting the electronic cash ledger vide DRC-03 No. AD361123003090Y dated 07.11.2023 consequent upon the directions of the Hon'ble High Court of Telangana vide IA No. 01 of 2023 in WP No. 25810 of 2023 may be appropriated against the ineligible ITC availed & utilized by them.

6.2. Availing and utilizing irregular/ineligible ITC of Rs. 13,85,62,403/- (IGST Rs. 14,46,811/-; CGST Rs. 6,83,28,732/-; SGST Rs. 6,83,28,732/-; Cess Rs. 4,58,128/-) during the period FY 2018-19 to 2023-24 in as much as the fact that the taxpayer have availed irregular/ineligible ITC on the such invoices for which the suppliers have not paid tax and not filed GSTR-3B returns and on the strength of invalid invoices i.e. registration cancelled retrospectively under suo -moto cancellation and thus the ITC availed & utilized is in contravention of sec.16,31, 41 of the CGST act, 2017 read with Rule 21A & 36 of the CGST Rules, 2017.

7. Legal Provisions:

7.1. *For the administration and collection of State Goods and Services tax in respect of Telangana State, an Act is in operation in respect of Jurisdiction of Telangana state. This Act is titled as "The Telangana Goods and Services Act, 2017" (for short here in after referred to as "the TGST Act, 2017") and the provisions of it are in pari ma teria with the provisions of CGST Act, 2017 as referred above. To avoid repetition, the provisions of the TGST Act, 2017, are not reproduced in this notice.*

Further, As per ***Section 20 of the IGST Act, 2017****, the provisions of Central Goods and Services Tax Act relating to,-*

(i) scope of supply;
(ii) composite supply and mixed supply;
(iii) time and value of supply;

(iv) input tax credit;

(v) registration;

(vi) tax invoice, credit and debit notes;

(vii) accounts and records;

(viii) returns, other than late fee;

(ix) payment of tax;

(x) tax deduction at source;

(xi) collection of tax at source;

(xii) assessment;

(xiii) refunds;

(xiv) audit;

(xv) inspection, search, seizure and arrest;

(xvi) demands and recovery;

(xvii) liability to pay in certain cases;

(xviii) advance ruling;

(xix) appeals and revision;

(xx) presumption as to documents;

(xxi) offences and penalties;

(xxii) job work;

(xxiii) electronic commerce;

(xxiv) transitional provisions; and

(xxv) miscellaneous provisions including the provisions relating to the imposition of interest and penalty,

are, mutatis mutandis, applicable, so far as may be, in relation to integrated tax as they apply in relation to central tax as if they are enacted under the IGST Act.

7.2. *Section 6 of the TGST Act, 2017 authorizes the officers appointed under the Central Goods and Services Tax Act as proper officers for the purposes of the said Act, subject to such conditions as the Government shall, on the recommendations of the Council, by notification, specify. Accordingly, the demand of levy of SGST under SGST Act is authorized under the provisions of Section 6 of the TGST Act, 2017.*

Further, as per Section 11 of the Goods and Services Tax (Compensation To States) Act, 2017: Other provisions relating to cess-

(1)The provisions of the Central Goods and Services Tax Act, and the rules made there under, including those relating to assessment, input tax credit, non-levy,

short-levy, interest, appeals, offences and penalties, shall, as far as may be, mutatis mutandis, apply, in relation to the levy and collection of the cess leviable under section 8 on the intra-State supply of goods and services, as they apply in relation to the levy and collection of central tax on such intra-State supplies under the said Act or the rules made there under.

(2)The provisions of the Integrated Goods and Services Tax Act, and the rules made there under, including those relating to assessment, input tax credit, non-levy, short-levy, interest, appeals, offences and penalties, shall, mutatis mutandis, apply in relation to the levy and collection of the cess leviable under section 8 on the inter-State supply of goods and services, as they apply in relation to the levy and collection of integrated tax on such inter-State supplies under the said Act or the rules made there under:

Provided that the input tax credit in respect of cess on supply of goods and services leviable under section 8, shall be utilised only towards payment of said cess on supply of goods and services leviable under the said section.

7.3. Section 16. Eligibility and conditions for taking input tax credit.-

(1) Every registered person shall, subject to such conditions and restrictions as may be prescribed and, in the manner, specified in section 49, be entitled to take credit of input tax charged on any supply of goods or services or both to him which are used or intended to be used in the course or furtherance of his business and the said amount shall be credited to the electronic credit ledger of such person.

(2) Notwithstanding anything contained in this section, no registered person shall be entitled to the credit of any input tax in respect of any supply of goods or services or both to him unless,-

(a) he is in possession of a tax invoice or debit note issued by a supplier registered under this Act, or such other tax paying documents as may be prescribed;

(aa) the details of the invoice or debit note referred to in clause (a) has been furnished by the supplier in the statement of outward supplies and such details have been communicated to the recipient of such invoice or debit note in the manner specified under section 37;

(b) he has received the goods or services or both.

Explanation.- *For the purposes of this clause, it shall be deemed that the registered person has received the goods or, as the case may be, services-*

(i) where the goods are delivered by the supplier to a recipient or any other person on the direction of such registered person, whether acting as an agent or otherwise, before or during movement of goods, either by way of transfer of documents of title to goods or otherwise;

(ii) where the services are provided by the supplier to any person on the direction of and on account of such registered person;

(ba) the details of input tax credit in respect of the said supply communicated to such registered person under section 38 has not been restricted;]

(c) subject to the provisions of section 41, the tax charged in respect of such supply has been actually paid to the Government, either in cash or through utilisation of input tax credit admissible in respect of the said supply; and

(d) he has furnished the return under section 39:

Provided *that where the goods against an invoice are received in lots or instalments, the registered person shall be entitled to take credit upon receipt of the last lot or instalment:*

Provided *further that where a recipient fails to pay to the supplier of goods or services or both, other than the supplies on which tax is payable on reverse charge basis, the amount towards the value of supply along with tax payable thereon within a period of one hundred and eighty days from the date of issue of invoice by the supplier, an amount equal to the input tax credit availed by the recipient shall be paid by him along with interest payable under section 50, in such manner as may be prescribed:*

Provided *also that the recipient shall be entitled to avail of the credit of input tax on payment made by him to the supplier of the amount towards the value of supply of goods or services or both along with tax payable thereon.*

(3) Where the registered person has claimed depreciation on the tax component of the cost of capital goods and plant and machinery under the provisions of the Income tax Act, 1961 (43 of 1961), the input tax credit on the said tax component shall not be allowed.

(4) A registered person shall not be entitled to take input tax credit in respect of any invoice or debit note for supply of goods or services or both after the [6][thirtieth day of November] following the end of financial year to which such

invoice or debit note pertains or furnishing of the relevant annual return, whichever is earlier.

***Provided** that the registered person shall be entitled to take input tax credit after the due date of furnishing of the return under section 39 for the month of September, 2018 till the due date of furnishing of the return under the said section for the month of March, 2019 in respect of any invoice or invoice relating to such debit note for supply of goods or services or both made during the financial year 2017-18, the details of which have been uploaded by the supplier under sub-section (1) of section 37 till the due date for furnishing the details under sub-section (1) of said section for the month of March, 2019.*

[11][(5) Notwithstanding anything contained in sub-section (4), in respect of an invoice or debit note for supply of goods or services or both pertaining to the Financial Years 2017-18, 2018-19, 2019-20 and 2020-21, the registered person shall be entitled to take input tax credit in any return under section 39 which is filed up to the thirtieth day of November, 2021.

(6) Where registration of a registered person is cancelled under section 29 and subsequently the cancellation of registration is revoked by any order, either under section 30 or pursuant to any order made by the Appellate Authority or the Appellate Tribunal or court and where availment of input tax credit in respect of an invoice or debit note was not restricted under sub-section (4) on the date of order of cancellation of registration, the said person shall be entitled to take the input tax credit in respect of such invoice or debit note for supply of goods or services or both, in a return under section 39,–

(i) filed up to thirtieth day of November following the financial year to which such invoice or debit note pertains or furnishing of the relevant annual return, whichever is earlier; or

(ii) for the period from the date of cancellation of registration or the effective date of cancellation of registration, as the case may be, till the date of order of revocation of cancellation of registration, where such return is filed within thirty days from the date of order of revocation of cancellation of registration, whichever is later.

7.4. Section 39. Furnishing of returns.-

(1) Every registered person, other than an Input Service Distributor or a non-resident taxable person or a person paying tax under the provisions of section 10 or section 51 or section 52 shall, for every calendar month or part thereof, furnish, a return, electronically, of inward and outward supplies of goods or

services or both, input tax credit availed, tax payable, tax paid and such other particulars, in such form and manner, and within such time, as may be prescribed:

***Provided** that the Government may, on the recommendations of the Council, notify certain class of registered persons who shall furnish a return for every quarter or part thereof, subject to such conditions and restrictions as may be specified therein.*

(2) A registered person paying tax under the provisions of section 10, shall, for each financial year or part thereof, furnish a return, electronically, of turnover in the State or Union territory, inward supplies of goods or services or both, tax payable, tax paid and such other particulars in such form and manner, and within such time, as may be prescribed.

(3) Every registered person required to deduct tax at source under section 51 shall electronically furnish a return for every calendar month of the deductions made during the month in such form and manner and within such time as may be prescribed:

***Provided** that the said registered person shall furnish a return for every calendar month whether or not any deductions have been made during the said month.*

(4) Every taxable person registered as an Input Service Distributor shall, for every calendar month or part thereof, furnish, in such form and manner as may be prescribed, a return, electronically, within thirteen days after the end of such month.

(5) Every registered non-resident taxable person shall, for every calendar month or part thereof, furnish, in such form and manner as may be prescribed, a return, electronically, within thirteen days after the end of a calendar month or within seven days after the last day of the period of registration specified under sub-section (1) of section 27, whichever is earlier.

(6) The Commissioner may, for reasons to be recorded in writing, by notification, extend the time limit for furnishing the returns under this section for such class of registered persons as may be specified therein:

***Provided** that any extension of time limit notified by the Commissioner of State tax or Union territory tax shall be deemed to be notified by the Commissioner.*

(7) Every registered person who is required to furnish a return under sub-section (1), other than the person referred to in the proviso thereto, or sub-section (3) or

sub-section (5), shall pay to the Government the tax due as per such return not later than the last date on which he is required to furnish such return:

***Provided** that every registered person furnishing return under the proviso to sub-section (1) shall pay to the Government, in such form and manner, and within such time, as may be prescribed, —*

(a) an amount equal to the tax due taking into account inward and outward supplies of goods or services or both, input tax credit availed, tax payable and such other particulars during a month; or

(b) in lieu of the amount referred to in clause (a), an amount determined in such manner and subject to such conditions and restrictions as may be prescribed]

***Provided** further that every registered person furnishing return under sub-section (2) shall pay to the Government, the tax due taking into account turnover in the State or Union territory, inward supplies of goods or services or both, tax payable, and such other particulars during a quarter, in such form and manner, and within such time, as may be prescribed.*

(8) Every registered person who is required to furnish a return under sub-section (1) or sub-section (2) shall furnish a return for every tax period whether or not any supplies of goods or services or both have been made during such tax period.

(9) Where any registered person after furnishing a return under sub-section (1) or sub-section (2) or sub-section (3) or subsection (4) or sub-section (5) discovers any omission or incorrect particulars therein, other than as a result of scrutiny, audit, inspection or enforcement activity by the tax authorities, he shall rectify such omission or incorrect particulars in the return to be furnished for the month or quarter during which such omission or incorrect particulars [6][in such form and manner as may be prescribed, subject to payment of interest under this Act:

***Provided** that no such rectification of any omission or incorrect particulars shall be allowed after the thirtieth day of November] following the end of the financial year to which such details pertain, or the actual date of furnishing of relevant annual return, whichever is earlier.*

(10) A registered person shall not be allowed to furnish a return for a tax period if the return for any of the previous tax periods or the details of outward supplies under sub-section (1) of section 37 for the said tax period has not been furnished by him:

Provided *that the Government may, on the recommendations of the Council, by notification, subject to such conditions and restrictions as may be specified therein, allow a registered person or a class of registered persons to furnish the return, even if he has not furnished the returns for one or more previous tax periods or has not furnished the details of outward supplies under sub-section (1) of section 37 for the said tax period*

(11) A registered person shall not be allowed to furnish a return for a tax period after the expiry of a period of three years from the due date of furnishing the said return:

Provided *that the Government may, on the recommendations of the Council, by notification, subject to such conditions and restrictions as may be specified therein, allow a registered person or a class of registered persons to furnish the return for a tax period, even after the expiry of the said period of three years from the due date of furnishing the said return.*

7.5. Section 41. Availment of input tax credit

(1) Every registered person shall, subject to such conditions and restrictions as may be prescribed, be entitled to avail the credit of eligible input tax, as self-assessed, in his return and such amount shall be credited to his electronic credit ledger.

(2) The credit of input tax availed by a registered person under sub-section (1) in respect of such supplies of goods or services or both, the tax payable whereon has not been paid by the supplier, shall be reversed along with applicable interest, by the said person in such manner as may be prescribed:

Provided *that where the said supplier makes payment of the tax payable in respect of the aforesaid supplies, the said registered person may re-avail the amount of credit reversed by him in such manner as may be prescribed.*

7.6. Section 50. Interest on delayed payment of tax.-

(1) Every person who is liable to pay tax in accordance with the provisions of this Act or the rules made thereunder, but fails to pay the tax or any part thereof to the Government within the period prescribed, shall for the period for which the tax or any part thereof remains unpaid, pay, on his own, interest at such rate, not exceeding eighteen per cent., as may be notified by the Government on the recommendations of the Council:

Provided *that the interest on tax payable in respect of supplies made during a tax period and declared in the return for the said period furnished after the due*

date in accordance with the provisions of section 39, except where such return is furnished after commencement of any proceedings under section 73 or section 74 or section 74A in respect of the said period, shall be levied on that portion of the tax that is paid by debiting the electronic cash ledger.

(2) The interest under sub-section (1) shall be calculated, in such manner as may be prescribed, from the day succeeding the day on which such tax was due to be paid.

(3) Where the input tax credit has been wrongly availed and utilised, the registered person shall pay interest on such input tax credit wrongly availed and utilised, at such rate not exceeding twenty-four per cent. as may be notified by the Government, on the recommendations of the Council, and the interest shall be calculated, in such manner as may be prescribed

7.7. Section 74. Determination of tax, pertaining to the period up to Financial Year 2023-24, not paid or short paid or erroneously refunded or input tax credit wrongly availed or utilised by reason of fraud or any willful- misstatement or suppression of facts.-

(1) Where it appears to the proper officer that any tax has not been paid or short paid or erroneously refunded or where input tax credit has been wrongly availed or utilised by reason of fraud, or any wilful-misstatement or suppression of facts to evade tax, he shall serve notice on the person chargeable with tax which has not been so paid or which has been so short paid or to whom the refund has erroneously been made, or who has wrongly availed or utilised input tax credit, requiring him to show cause as to why he should not pay the amount specified in the notice along with interest payable thereon under section 50 and a penalty equivalent to the tax specified in the notice.

***Explanation 2.**- For the purposes of this Act, the expression "suppression" shall mean non-declaration of facts or information which a taxable person is required to declare in the return, statement, report or any other document furnished under this Act or the rules made thereunder, or failure to furnish any information on being asked for, in writing, by the proper officer.*

7.8. Section 122. Penalty for certain offences.-

(1) Where a taxable person who-

(i) supplies any goods or services or both without issue of any invoice or issues an incorrect or false invoice with regard to any such supply;

(ii) issues any invoice or bill without supply of goods or services or both in violation of the provisions of this Act or the rules made thereunder;

(iii) collects any amount as tax but fails to pay the same to the Government beyond a period of three months from the date on which such payment becomes due;

(iv) collects any tax in contravention of the provisions of this Act but fails to pay the same to the Government beyond a period of three months from the date on which such payment becomes due;

(v) fails to deduct the tax in accordance with the provisions of sub-section (1) of section 51, or deducts an amount which is less than the amount required to be deducted under the said sub-section, or where he fails to pay to the Government under sub-section (2) thereof, the amount deducted as tax;

(vi) fails to collect tax in accordance with the provisions of sub-section (1) of section 52, or collects an amount which is less than the amount required to be collected under the said sub-section or where he fails to pay to the Government the amount collected as tax under sub-section (3) of section 52;

(vii) takes or utilises input tax credit without actual receipt of goods or services or both either fully or partially, in contravention of the provisions of this Act or the rules made thereunder;

(viii) fraudulently obtains refund of tax under this Act;

(ix) takes or distributes input tax credit in contravention of section 20, or the rules made thereunder;

(x) falsifies or substitutes financial records or produces fake accounts or documents or furnishes any false information or return with an intention to evade payment of tax due under this Act;

(xi) is liable to be registered under this Act but fails to obtain registration;

(xii) furnishes any false information with regard to registration particulars, either at the time of applying for registration, or subsequently;

(xiii) obstructs or prevents any officer in discharge of his duties under this Act;

(xiv) transports any taxable goods without the cover of documents as may be specified in this behalf;

(xv) suppresses his turnover leading to evasion of tax under this Act;

(xvi) fails to keep, maintain or retain books of account and other documents in accordance with the provisions of this Act or the rules made thereunder;

(xvii) fails to furnish information or documents called for by an officer in accordance with the provisions of this Act or the rules made thereunder or furnishes false information or documents during any proceedings under this Act;

(xviii) supplies, transports or stores any goods which he has reasons to believe are liable to confiscation under this Act;

(xix) issues any invoice or document by using the registration number of another registered person;

(xx) tampers with, or destroys any material evidence or document;

(xxi) disposes off or tampers with any goods that have been detained, seized, or attached under this Act,

he shall be liable to pay a penalty of ten thousand rupees or an amount equivalent to the tax evaded or the tax not deducted under section 51 or short deducted or deducted but not paid to the Government or tax not collected under section 52 or short collected or collected but not paid to the Government or input tax credit availed of or passed on or distributed irregularly, or the refund claimed fraudulently, whichever is higher.

(1A) Any person who retains the benefit of a transaction covered under clauses (i), (ii), (vii) or clause (ix) of sub-section (1) and at whose instance such transaction is conducted, shall be liable to a penalty of an amount equivalent to the tax evaded or input tax credit availed of or passed on.

(1B) Any electronic commerce operator, who is liable to collect tax at source under section 52,—

(i) allows a supply of goods or services or both through it by an unregistered person other than a person exempted from registration by a notification issued under this Act to make such supply;

(ii) allows an inter-State supply of goods or services or both through it by a person who is not eligible to make such inter-State supply; or

(iii) fails to furnish the correct details in the statement to be furnished under sub-section (4) of section 52 of any outward supply of goods effected through it by a person exempted from obtaining registration under this Act,shall be liable to pay a penalty of ten thousand rupees, or an amount equivalent to the amount of tax

involved had such supply been made by a registered person other than a person paying tax under section 10, whichever is higher

(2) Any registered person who supplies any goods or services or both on which any tax has not been paid or short-paid or erroneously refunded, or where the input tax credit has been wrongly availed or utilised,-

(a) for any reason, other than the reason of fraud or any wilful misstatement or suppression of facts to evade tax, shall be liable to a penalty of ten thousand rupees or ten per cent. of the tax due from such person, whichever is higher;

(b) for reason of fraud or any willful misstatement or suppression of facts to evade tax, shall be liable to a penalty equal to ten thousand rupees or the tax due from such person, whichever is higher.

(3) Any person who-

(a) aids or abets any of the offences specified in clauses (i) to (xxi) of subsection (1);

(b) acquires possession of, or in any way concerns himself in transporting, removing, depositing, keeping, concealing, supplying, or purchasing or in any other manner deals with any goods which he knows or has reasons to believe are liable to confiscation under this Act or the rules made thereunder;

(c) receives or is in any way concerned with the supply of, or in any other manner deals with any supply of services which he knows or has reasons to believe are in contravention of any provisions of this Act or the rules made thereunder;

(d) fails to appear before the officer of central tax, when issued with a summon for appearance to give evidence or produce a document in an inquiry;

(e) fails to issue invoice in accordance with the provisions of this Act or the rules made thereunder or fails to account for an invoice in his books of account, ***shall be liable to a penalty which may extend to twenty-five thousand rupees.***

7.9. Section 132. Punishment for certain offences.-

(1) Whoever commits, or causes to commit and retain the benefits arising out of, any of the following offences, namely:-

(a) supplies any goods or services or both without issue of any invoice, in violation of the provisions of this Act or the rules made thereunder, with the intention to evade tax;

(b) issues any invoice or bill without supply of goods or services or both in violation of the provisions of this Act, or the rules made thereunder leading to wrongful availment or utilisation of input tax credit or refund of tax;

(c) avails input tax credit using the invoice or bill referred to in clause (b) or fraudulently avails input tax credit without any invoice or bill;

(d) collects any amount as tax but fails to pay the same to the Government beyond a period of three months from the date on which such payment becomes due;

(e) evades tax or fraudulently obtains refund and where such offence is not covered under clauses (a) to (d);

(f) falsifies or substitutes financial records or produces fake accounts or documents or furnishes any false information with an intention to evade payment of tax due under this Act;

(g) ;

(h) acquires possession of, or in any way concerns himself in transporting, removing, depositing, keeping, concealing, supplying, or purchasing or in any other manner deals with, any goods which he knows or has reasons to believe are liable to confiscation under this Act or the rules made thereunder;

(i) receives or is in any way concerned with the supply of, or in any other manner deals with any supply of services which he knows or has reasons to believe are in contravention of any provisions of this Act or the rules made thereunder;

(l) attempts to commit, or abets the commission of any of the offences mentioned in clauses (a) to (f) and clauses (h) and (i) of this section,

shall be punishable-

(i) in cases where the amount of tax evaded or the amount of input tax credit wrongly availed or utilised or the amount of refund wrongly taken exceeds five hundred lakh rupees, with imprisonment for a term which may extend to five years and with fine;

(ii) in cases where the amount of tax evaded or the amount of input tax credit wrongly availed or utilised or the amount of refund wrongly taken exceeds two hundred lakh rupees but does not exceed five hundred lakh rupees, with imprisonment for a term which may extend to three years and with fine;

(iii) in the case of an offence specified in clause (b), where the amount of tax evaded or the amount of input tax credit wrongly availed or utilised or the

amount of refund wrongly taken exceeds one hundred lakh rupees but does not exceed two hundred lakh rupees, with imprisonment for a term which may extend to one year and with fine;

(iv) in cases where he commits or abets the commission of an offence specified in clause (f), he shall be punishable with imprisonment for a term which may extend to six months or with fine or with both.

(2) Where any person convicted of an offence under this section is again convicted of an offence under this section, then, he shall be punishable for the second and for every subsequent offence with imprisonment for a term which may extend to five years and with fine.

(3) The imprisonment referred to in clauses (i), (ii) and (iii) of sub-section (1) and sub-section (2) shall, in the absence of special and adequate reasons to the contrary to be recorded in the judgment of the Court, be for a term not less than six months.

(4) Notwithstanding anything contained in the Code of Criminal Procedure, 1973, all offences under this Act, except the offences referred to in sub-section (5) shall be non- cognizable and bailable.

(5) The offences specified in clause (a) or clause (b) or clause (c) or clause (d) of sub-section (1) and punishable under clause (i) of that sub-section shall be cognizable and non-bailable.

(6) A person shall not be prosecuted for any offence under this section except with the previous sanction of the Commissioner.

Explanation.- For the purposes of this section, the term "tax" shall include the amount of tax evaded or the amount of input tax credit wrongly availed or utilised or refund wrongly taken under the provisions of this Act, the State Goods and Services Tax Act, the Integrated Goods and Services Tax Act or the Union Territory Goods and Services Tax Act and cess levied under the Goods and Services Tax (Compensation to States) Act.

7.10. Section 137. Offences by companies.-

(1) Where an offence committed by a person under this Act is a company, every person who, at the time the offence was committed was in charge of, and was responsible to, the company for the conduct of business of the company, as well as the company, shall be deemed to be guilty of the offence and shall be liable to be proceeded against and punished accordingly.

(2) Notwithstanding anything contained in sub-section (1), where an offence under this Act has been committed by a company and it is proved that the offence has been committed with the consent or connivance of, or is attributable to any negligence on the part of, any director, manager, secretary or other officer of the company, such director, manager, secretary or other officer shall also be deemed to be guilty of that offence and shall be liable to be proceeded against and punished accordingly.

(3) Where an offence under this Act has been committed by a taxable person being a partnership firm or a Limited Liability Partnership or a Hindu Undivided Family or a trust, the partner or karta or managing trustee shall be deemed to be guilty of that offence and shall be liable to be proceeded against and punished accordingly and the provisions of sub-section (2) shall, mutatis mutandis , apply to such persons.

(4) Nothing contained in this section shall render any such person liable to any punishment provided in this Act, if he proves that the offence was committed without his knowledge or that he had exercised all due diligence to prevent the commission of such offence.

***Explanation**.-For the purposes of this section,-*

(i) "company" means a body corporate and includes a firm or other association of individuals; and

(ii) "director" , in relation to a firm, means a partner in the firm.

***7.11. Section 155. Burden of proof**.-*

Where any person claims that he is eligible for input tax credit under this Act, the burden of proving such claim shall lie on such person.

7.12. Rule 36. Documentary requirements and conditions for claiming input tax credit.-

(1) The input tax credit shall be availed by a registered person, including the Input Service Distributor, on the basis of any of the following documents, namely,-

(a) an invoice issued by the supplier of goods or services or both in accordance with the provisions of section 31;

(b) an invoice issued in accordance with the provisions of clause (f) of sub-section (3) of section 31, subject to the payment of tax;

(c) a debit note issued by a supplier in accordance with the provisions of section 34;

(d) a bill of entry or any similar document prescribed under the Customs Act, 1962 or rules made thereunder for the assessment of integrated tax on imports;

(e) an Input Service Distributor invoice or Input Service Distributor credit note or any document issued by an Input Service Distributor in accordance with the provisions of sub-rule (1) of rule 54.

(2) Input tax credit shall be availed by a registered person only if all the applicable particulars as specified in the provisions of Chapter VI are contained in the said document :

Provided that if the said document does not contain all the specified particulars but contains the details of the amount of tax charged, description of goods or services, total value of supply of goods or services or both, GSTIN of the supplier and recipient and place of supply in case of inter-State supply, input tax credit may be availed by such registered person.

(3) No input tax credit shall be availed by a registered person in respect of any tax that has been paid in pursuance of any order where any demand has been confirmed on account of any fraud, willful misstatement or suppression of facts [6][under section 74.

(4) No input tax credit shall be availed by a registered person in respect of invoices or debit notes the details of which are required to be furnished under subsection (1) of section 37 unless,-

(a) the details of such invoices or debit notes have been furnished by the supplier in the statement of outward supplies in FORM GSTR-1, as amended in FORM GSTR-1A if any, or using the invoice furnishing facility; and

(b) the details of input tax credit in respect of such invoices or debit notes have been communicated to the registered person in FORM GSTR-2B under sub-rule (7) of rule 60.

8. Applicability of Section 74(1) of the Central Goods and Services Tax Act, 2017 and imposition of Penalties

8.1. The provisions of GST have reposed greater faith in the taxpayer by encouraging voluntary tax compliance. As a measure of the same, Section 59 is incorporated in CGST Act, 2017, which mandates that a registered person shall self-assess the tax payable correctly and furnish a return for each tax period as

specified under the provisions of Section 39 of the Act ibid. During the period of April 2018 to March 2024, the taxpayer M/s Rayalaseema Industries (India) Pvt Ltd have fraudulently availed input tax credit amounting to Rs. 22,50,29,994/- from non-existing suppliers without any actual receipt of goods. Further, the taxpayer has irregularly availed input tax credit amounting to Rs. 13,85,62,403/- without payment of tax to the government or on the strength of invalid invoices.

8.2. As per Explanation 2 to Section 74 of the CGST Act, 2017, the expression "suppression" shall mean non-declaration of facts or information which a taxable person is required to declare in the return, statement, report or any other document furnished under this Act or the rules made thereunder, or failure to furnish any information on being asked for, in writing, by the proper officer. As discussed supra, the taxpayer have:

(1) fraudulently availed input tax credit from non-existing suppliers without receipt of goods;
(2) have irregularly availed ITC without payment of tax of the government and on the strength of invalid invoices.

The above acts of the taxpayer M/s Rayalaseema Industries (India) Pvt Ltd appear to be with an intent to evade payment of Tax as much as the taxpayer had mis-declared the facts in their GSTR-3B returns by availing irregular ITC even though they had not received any goods from the aforementioned suppliers. In terms of Section 155 of the CGST/ TGST Act, 2017, they have failed to prove the eligibility of the credit and the burden of proof is on the person who claims input tax credit.

8.3. It is only after specific intelligence gathered and subsequent investigations carried out by the departmental officers, it is revealed that M/s Rayalaseema Industries (India) Pvt Ltd have availed and utilized input tax credit without receipt of goods/services in contravention of the provisions of the CGST Act, 2017. The said irregularities would not have come to light but for the investigation conducted by the departmental officers. Hence it appears the taxpayer have suppressed the material facts and contravened the aforementioned provisions of the CGST Act, 2017 and the Rules made thereunder with an intent to evade payment of tax and to defraud the Government exchequer by way of wilful misstatement of facts and thereby availment & utilisation of Input tax credit fraudulently; thus, the

omission/commission of the above by the taxpayer attracts the penal provisions of Section 74(1) of the Central Goods and Services Tax Act, 2017 for demand of tax with applicable interest under the provisions of Section 50 of the CGST Act, 2017 and penalty thereon under Section 74 read with Section122 of the Act, ibid. Shri. Arun Kumar Dadhichi, in the capacity of CFO of M/s Nav Durga group, Shri. Chiranjib Das, in the capacity of Business Head, South India Operations of M/s Nav Durga group, Shri. Rakesh Mourya in the capacity of Director of M/s Rayalaseema Industries (India) Pvt Ltd & Shri Nimish Gadodia, Chairman of Nav Durga group of which both SEPL & RIIPL are group companies; are also liable for penal action u/s 122(3) of the CGST act, 2017 for adding, abetting the offence of availment & utilisation.

9. Contraventions:

From the foregoing, it appears that the taxpayer M/s Rayalaseema Industries (India) Pvt Ltd have contravened the following provisions of CGST Act 2017 and TGST Act 2017 and the rules made there under with intention to evade payment of Goods and Services Tax:

(i) Section 16, 31 & 41 of the CGST/ TGST Act, 2017 read with Rule 36 of the CGST Rules, 3017 in as much as, they have fraudulently availed input tax credit passed on from non-existent suppliers without receipt of goods/services; and they have availed ineligible/inadmissible ITC on the invoices for which suppliers did not file GSTR-3B returns and not paid tax to the Government and on strength of invalid invoices in contravention of Sec.31 of CGST Act, 2017 and Rule 21A of the CGST Rules, 2017 i.e. ITC received form such suppliers whose registrations are suo-moto cancelled retrospectively ;

(ii) Section 39 of the CGST/TGST Act 2017 read with Rule 60 and 61 of the CGST/TGST Rules 2017 in as much as they have failed to correctly furnish their inward supplies and have filed periodical GSTR-3B returns with incorrect details of eligible input tax credit availed and utilized by them.

10. Penalties Leviable

From the foregoing reasons as discussed supra, M/s Rayalaseema Industries (India) Pvt Ltd appears to have rendered themselves liable for penalties as detailed hereunder:

(i) Penalty under Section 74 of CGST Act 2017/ TGST Act 2017 read with Section 122(1)(vii), 122(1A) and 122(2)(b) of the CGST Act, 2017/ TGST Act 2017 read with section 20 of the IGST Act, 2017, since the taxpayer has fraudulently availed and utilized input tax credit without receipt of goods, by reason of fraud, willful misstatement & suppression of facts to evade tax.

(ii) Personal penalty on Shri. Arun Kumar Dadhichi, in the capacity of CFO of M/s Nav Durga group, Shri. Chiranjib Das, in the capacity of Business Head, South India Operations of M/s Nav Durga group, Shri. Rakesh Mourya in the capacity of Director of M/s Rayalaseema Industries (India) Pvt Ltd & Shri Nimish Gadodia, Chairman of Nav Durga group of which both SEPL & RIIPL are group companies, under of the provisions of Section 122(3)(a) CGST Act, 2017/ TGST Act 2017, for aiding and abetting in the offences stated above.

11. Now therefore, M/s Rayalaseema Industries (India) Pvt Ltd, GSTIN – 36AACCR8836N1ZP having declared Principal Place of Business at IDA Teegapur, Sy.no.115/A, Kothur Mandal, IDA Road, Teegapur, Mahabubnagar, Telangana, 509228, are hereby required to show cause to the Additional/Joint Commissioner of Central Tax, Rangareddy CGST Commissionerate, 4th Floor, H.NO. 1-98/7/43, VIP Hills, Jaihind Enclave, Madhapur, Hyderabad-500081 (hereinafter referred to as 'the adjudicating authority') within thirty days from the date of receipt of this notice as to why: -

(i). An amount of Rs. 22,50,29,993/- (IGST Rs. 39,90,987/-; CGST Rs. 11,05,19,503/-; SGST Rs. 11,05,19,503/-) (Rupees Twenty Two Crores Fifty Lakhs Twenty Nine Thousand Nine Hundred and Ninety Three Only) being fraudulent input tax credit availed from non-existent entities without receipt of goods during the period of April, 2018 to March, 2024 in contravention of Section 16(2)(b) of the CGST Act, 2017/ TGST Act, 2017, read with Section 20 of the IGST Act, 2017 should not be demanded from them under Section 74(1) of the CGST Act, 2017 and the corresponding section of TSGST Act, 2017 read with Section 20 of the IGST Act, 2017;

(ii). An amount of Rs. 86,64,000/- (CGST Rs. 43,32,000/-; SGST Rs. 43,32,000/-) (Rupees Eighty Six Lakhs Sixty Four Thousand Only) paid vide DRC-03 No. AD361123003090Y dated 07.11.2023, should not be appropriated towards the demand at Sr. no. (i) above

(iii). An amount of Rs. 13,85,62,403/- (IGST Rs. 14,46,811/-; CGST Rs. 6,83,28,732/-; SGST Rs. 6,83,28,732/-; Cess Rs. 4,58,128/-)

(Rupees Thirteen Crores Eighty Five Lakhs Sixty Thousand Four Hundred and Three Only) being irregular/ineligible ITC availed during the period of April, 2018 to March, 2024 on such invoices for which the suppliers have not paid tax and not filed GSTR-3B returns and on the strength of invalid invoices i.e. registration cancelled retrospectively under suo-moto cancellation, should not be demanded from them under Section 74(1) of the CGST Act, 2017 and the corresponding section of TSGST Act, 2017 read with Section 20 of the IGST Act, 2017;

(iv). Interest at applicable rate(s) on the amounts mentioned at (i) & (iii) above should not be demanded from them under Section 50 of the CGST Act, 2017 and the corresponding section of TSGST Act, 2017 read with Section 20 of the IGST Act, 2017;

(v). Penalties equal to the amounts demanded at (i) & (iii) above should not be imposed on them under Section 74 of the CGST Act/TGST, 2017 read with Section 122(1)(vii), 122(1A) & 122(2)(b) of the CGST Act/TGST Act, 2017 and read with Section 20 of the IGST Act, 2017 by reason of fraud, willful misstatement & suppression of facts to evade tax as detailed supra;

(vi). Personal penalty on Shri. Arun Kumar Dadhichi, in the capacity of CFO of M/s Nav Durga group, should not be imposed under of the provisions of Section 122(3)(a) CGST Act, 2017/ TGST Act 2017, for aiding and abetting in the offences stated supra;

(vii). Personal penalty on Shri. Chiranjib Das, in the capacity of Business Head, South India Operations of M/s Nav Durga group, should not be imposed under of the provisions of Section 122(3)(a) CGST Act, 2017/ TGST Act 2017, for aiding and abetting in the offences stated supra;

(viii). Personal penalty on Shri. Rakesh Mourya in the capacity of Director of M/s Rayalaseema Industries (India) Pvt Ltd, should not be imposed under of the provisions of Section 122(3)(a) CGST Act, 2017/ TGST Act 2017, for aiding and abetting in the offences stated supra;

(ix). Personal penalty on Shri Nimish Gadodia, Chairman of Nav Durga group of which both SEPL & RIIPL are group companies, should not be imposed under of the provisions of Section 122(3)(a) CGST Act, 2017/ TGST Act 2017, for aiding and abetting in the offences stated supra;

12. M/s Rayalaseema Industries (India) Pvt Ltd, is required to furnish all the evidence upon which they intend to rely in support of their defense at the time of showing cause. They are also required to indicate in their written reply as to whether they wish to be heard in virtual hearing mode only before the case is adjudicated. If no cause is shown against the action proposed to be taken within the stipulated time or if the taxpayer does not appear for virtual hearing on the date and time fixed, it will be presumed that they do not have anything to say in their defense and the case will be decided based on the information available on record.

13. This notice is issued without prejudice to any other action that may be initiated under the provisions of the CGST Act, 2017, TGST Act, 2017 & IGST Act, 2017 and the rules made there under or any other law for the time being in force in India.

14. M/s Rayalaseema Industries (India) Pvt Ltd are further informed that in terms of Section 74(8) of the CGST Act, 2017 and corresponding sections in TSGST Act, 2017 where GST and interest is paid within a period of thirty days from the date of service of notice under sub-section (1) of Section 74, the penalty payable shall be twenty five percent of such output tax, and proceedings in respect of such GST, interest and penalty shall be deemed to be concluded provided the said reduced penalty is also paid within the said thirty (30) days.

15. The Department reserves the right to add, amend, modify, delete any part or portion of this notice subject to outcome of any further verification/investigation being carried out/contemplated and to add/amend the evidence/document in support of the allegations of the notice and any such addendum, amendment, modification, deletion, if made, shall be deemed to be part and parcel of this notice. Further, this notice is being issued for the issues mentioned here alone, without prejudice to the right of the department to issue notice for the remaining issues separately.

16. The allegations levelled in this Notice are based on the documents/records listed in Annexures attached to this Notice. Annexures/Relied upon Documents to this Notice are to be treated as an integral part of this notice.

17. The tax payer is requested to collect the non-relied upon documents within 30 days from the date of receipt of this notice.

Despatched.....
Date 16/12/2024
Initial Ramesh

O/C

(SRIDEVI TARITLA)
ADDITIONAL COMMISSIONER (AE)

To

1. M/s Rayalaseema Industries (India) Pvt Ltd,
GSTIN – 36AACCR8836N1ZP
IDA Teegapur, Sy.no.115/A, Kothur Mandal,
IDA Road, Teegapur, Mahabubnagar,
Telangana, 509228 (Along with copies of all relied upon documents and Annexures mentioned/enclosed to this Show Cause Notice)

2. Shri. Rakesh Mourya, S/o Shri. Kulamani Mourya,
Director of M/s. Rayalaseema Industries (India) Pvt Ltd,
2nd floor, H.No. 18-392/ 1/5/C, Bhageeratha Colony,
Shadnagar, Rangareddy District,
Telangana - 509216 (Along with copies of all relied upon documents and Annexures mentioned/enclosed to this Show Cause Notice)

3. Shri Chiranjib Das, S/o Shri Chinmoy Rajan Das,
Business Head, South -India Operation of M/s Nav Durga Group,
1210, Green Grace Apartment, Near Outer Ring Road,
Nanakramguda, Gachibowli, 500084 (Along with copies of all relied upon documents and Annexures mentioned/enclosed to this Show Cause Notice)

4. Shri. Arun Kumar Dadhichi, S/o Late Shri Nathmal Sharma,
CFO of M/s Navdurga Group,
34, Kalyan Whistling Woods, Petbasheerbad,
Brundavan Colony, Kompally, Medchal Malkajgiri, 500067 (Along with copies of all relied upon documents and Annexures mentioned/enclosed to this Show Cause Notice)

5. Shri. Nimish Gadodia, S/o Sawarmal Gadodia,
Chairman of M/s Navdurga Group,
Rajgangapur, Main road, Rajgangapur,
Sundergarh, Odisha 770017 (Along with copies of all relied upon documents and Annexures mentioned/enclosed to this Show Cause Notice)

Copy submitted to: