IN THE HIGH COURT OF JUDICATURE AT MADRAS

DATED : 11.11.2025

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THE HONOURABLE MR.JUSTICE C.SARAVANAN

W.P.No.43254 of 2025
and
W.M.P.No.48440 of 2025

Tvl Citi Steel,
Represented by its Proprietor Mrs. Rahmath Begum,
No.321/1, Patel Road,
Ram Nagar, Coimbatore,
Tamil Nadu – 641 009. ... Petitioner

Vs.

1. The Assistant Commissioner of GST & C.Ex.,
   Coimbatore-III, Division.

2. The Principal Commissioner of GST & Central Excise,
   6/7 A.T.D Street, Race Course Road,
   Coimbatore – 641018. ... Respondents

Writ Petitions filed under Article 226 of the Constitution of India, for issuance of a Writ of Certiorarified Mandamus, calling for the records relating to the impugned action of blocking the Electronic Credit Ledger to a tune of Rs.10,16,827/- vide Ref No. BL3308250000163 dated 08.08.2025 by the 1st respondent, quash the same and direct the 1st respondent to unblock the blocked credit available in the Electronic Credit Ledger.

For Petitioner : Mr.K.G.Jayasuriya

For Respondents : Mr.M.Santhanaraman,
Senior Standing Counsel and
Mr.J.Vasu, Junior Standing Counsel

ORDER

Mr.M.Santhanaraman, learned Senior Standing Counsel and Mr.J.Vasu, learned Junior Standing Counsel, takes notice for the respondents.

2. With the consent of the learned counsel for the petitioner and the learned Junior and Senior Standing Counsel for the respondents, this Writ Petition is being disposed of at the time of admission.

3. The petitioner is before this Court against blocking of their Input Tax Credit to the tune of **Rs.10,16,827/-** by the impugned communication dated 08.08.2025 bearing Ref No. BL3308250000163 passed by the 1st respondent.

4. The impugned communication of the 1st respondent is based on an information sent to the 1st respondent vide Ref No. GEXCOM/AE/MISC/660/2022-AE dated 05.08.2025 by the office of the Principal Commissioner of GST & Central Excise, Coimbatore to take appropriate action, which in turn relied upon the communication dated 10.06.2025 from the Director General of GST Intelligence (DGGI), Madurai Regional Unit.

5. The basis for issuance of the impugned communication blocking the Input Tax Credit of the petitioner emanates from the communication of the Principal Commissioner of GST & Central Excise, Coimbatore dated 05.08.2025, which reads as under:

> *Sir,*
>
> *Subject- Evasion of GST – Passing of Ineligible Input Tax Credit oncombaloa the strength of issuance of fake invoices without any underlying supply of goods by M/s Dhinakaran & Co. [GSTN: 33BHZPD1632A1ZR] – investigation initiated by DGGI, Madurai Regional Unit.*
>
> *Please refer letter F. No. DGGI/INV/GST 242/2024-Gr E-O/0 DD-DGGI-RU-MADURAI dated 10.06.2025 received from DGGL Coimbatore Zonal Unit on the subject cited above, wherein it was requested to take appropriate action against the recipients of M/s Dhinakaran & Co falling under the jurisdiction of Coimbatore CGST Commissionerate who availed fraudulent Input Tax Credit (ITC) on the strength*

of fictitious invoices-without any actual underlying supply of goods.

Sl.No	GSTIN	Trade Name	Taxable Value	Tax Value	Jurisdiction
1	33AADFT5600L1ZA	Tecnicrafts Industries	1,66,47,797	29,96,603	Division III, Range - COIMBATORE - IIIF
2	33ACTPC1165H1ZR	Sri Angalamma n Steels	67,04,428	12,06,797	Division CBE II, Range CBE IID
3	33ALNPR4790E1ZS	Citi Steel	56,49,041	10,16,827	Division CBE III Range, CBE IIIC
4	33AABFU9368E1Z1	United Enterprises	36,50,888	6,57,160	Division CBE III, Range – CBE IIIE
5	33AFXPD4140G1ZL	Masani Industries	31,01,455	5,58,262	Division CBE III, Range CBE IIIE
6	33AAYFS9871M1ZZ	Sri Murugan Foundry Equipment	23,77,233	4,27,902	Division CBE I Range CBE 1A
7	33ACCFS8773Q1ZA	Sree Sakthi Engineering Company	17,51,728	3,15,311	Division COONOOR Range KARAMADAI
8	33AARFA2254R1ZZ	Atchya Automation	17,14,530	3,08,615	Division CBE I Range CBE ID
9	33AAMFS6486Q1Z6	Sree Sakthi Equipments Company	13,10,655	2,35,918	Division COONOOR Range KARAMADAI
10	33AAHFS0646M1Z1	Sri Rang Industries	10,86,390	1,95,550	Division CBE II Range CBE IIB

6. The learned counsel for the petitioner would submit that the blocking of the Input Tax Credit of the petitioner is clearly contrary to the dictates of the Board in **Circular** dated **02.11.2021** bearing **Ref No.CBEC-20/16/05/2021-GST**.

7. Specifically, the learned counsel for the petitioner has drawn the attention of this Court to Paragraph Nos.3.1.3 and 3.1.4 of the aforesaid

Circular dated **02.11.2021**, which read as under:

> *"3.1.3 The Commissioner, or an officer authorised by him, not below the rank of Assistant Commissioner, must form an opinion for disallowing debit of an amount from electronic credit ledger in respect of a registered person, only after proper application of mind considering all the facts of the case, including the nature of prima facie fraudulently availed or ineligible input tax credit and whether the same is covered under the grounds mentioned in sub-rule (1) of rule 86A, as discussed in para 3.1.2 above; the amount of input tax credit involved; and whether disallowing such debit of electronic credit ledger of a person is necessary for restricting him from utilizing passing on fraudulently availed or ineligible input tax credit to protect the interests of revenue.*
>
> *3.1.4 It is reiterated that the power of disallowing debit of amount from electronic credit ledger must not be exercised in a mechanical manner and careful examination of all the facts of the case is important to determine case(s) fit for exercising power under rule 86A.The remedy of disallowing debit of amount from electronic credit ledger being, by its very nature, extraordinary, has to be resorted to with utmost circumspection and with maximum care and caution. It contemplates an objective determination based on intelligent care and evaluation as distinguished from a purely subjective consideration of suspicion. The reasons are to be on the basis of material evidence available or gathered in relation to fraudulent availment of input tax credit or ineligible input tax credit availed as per the conditions/ grounds under sub-rule (1) of rule 86A."*

8. The learned counsel for the petitioner also draws the attention of this Court to a detailed decision of the Hon'ble Karnataka High Court in ***K-9-***

Enterprises, Kwality Metals, K-9-Industries v. The State Of Karnataka, The Assistant Commissioner of Commercial Taxes, Belagavi *[2024 (10) TMI 491].*

9. Relevant portion of the aforesaid judgment is extracted hereunder:-

> "*9.7. A perusal of the impugned orders will indicate that the same have been passed based on the communication received from other officers, without any independent application of mind. This shows that exercise of power under Rule 86A was not because he was independently satisfied about the need for blocking the ECL but, was due to the fact that he felt compelled to obey the command of another officer. This is not the manner in which the law expects the power under rule 86A to be exercised. When a thing is directed to be done in a particular manner, it must be done in that manner or not at all is the well-established principle of administrative law. On a perusal of the impugned orders, it is crystal clear that the order to block the ECL provisionally was out of the borrowed satisfaction of the respondent authorities rather than based on any independent analysis.*
>
> *9.8 As stated supra, the impugned order discloses that the same has been passed mechanically and is based on borrowed satisfaction and does not meet the test of formation of an opinion of the Assessing Officer who seems to have been influenced by the findings of the Investigation Wing [i.e, Field visit report by the Asst. State Tax Officer, Vasco-D-Gama, (Goa)) and have not independently formed an opinion on the likely additions to be made during assessment proceedings. In the light of existence of a legal mandatory pre-requirement and precondition of recording of formation of opinion which is in pari-materia with "reasons to believe", it was incumbent upon the officer to arrive at his own satisfaction and not borrowed*

satisfaction by proper application of mind; the respondents have proceeded solely on the basis that the supplier has been found to be non-existent or not to be conducting any business from the place which it has obtained registration, has blocked the input tax which is impermissible in law without checking the genuineness or otherwise of the transaction and consequently, the impugned orders are bald, vague, cryptic, laconic, unreasoned and non-speaking and deserve to be set aside."

10. The Learned Senior Standing Counsel for the respondents, on the other hand, would submit that there is no scope for any interference in the impugned communication, as the impugned communication blocking the Input Tax Credit was issued based on the communication of the 2nd respondent directing to take appropriate action.

11. I have considered the submissions made by the learned counsel for the petitioner and learned Senior Standing Counsel for the respondents.

12. Taking note of the **Circular** dated **02.11.2021** *referred to supra* and also taking note of Rule 86A of the respective GST Rules, there shall be a direction to the 1st respondent to pass a fresh speaking order, as required under Rule 86A of the respective GST Rules.

13. Accordingly, this Writ Petition stands disposed of. Consequently, connected miscellaneous petition is closed. No costs.

11.11.2025

raja

Neutral Citation : Yes / No

To

1. The Assistant Commissioner of GST & C.Ex.,
   Coimbatore-III, Division.

2. The Principal Commissioner of GST & Central Excise,
   6/7 A.T.D Street, Race Course Road,
   Coimbatore – 641018.

C.SARAVANAN, J.

raja

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