

**IN THE HIGH COURT FOR THE STATE OF TELANGANA
AT HYDERABAD**

THE HON'BLE THE CHIEF JUSTICE SRI APARESH KUMAR SINGH

AND

THE HON'BLE SRI JUSTICE G.M.MOHIUDDIN

WRIT PETITION No.17784 of 2025

DATED: 16.06.2026

Between:

M/s. R.R. Metal Industries,
Rep., by its Proprietor, Mr. Ahmed Mohammed,
Ranga Reddy District, Telangana.

... Petitioner

AND

Superintendent of Central Tax,
Kothur GST Range, Shamshabad GST Division,
Kothur, Ranga Reddy District, Telangana,
And three others.

... Respondents

ORDER:

Mr. Bharat Raichandani, learned counsel representing Mr. B. Vamshidhar Reddy, learned counsel for the petitioner, appears through video conferencing.

Mr. Dominic Fernandes, learned Senior Standing Counsel appears for Central Board of Indirect Taxes and Customs (CBIC).

2. Interim order dated 28.08.2025 over which there is a divergence between the rival parties is extracted hereunder:

“Mr. B.Chandrasen Reddy, learned Senior Counsel appears for Mr. B.Vamshidhar Reddy, learned counsel for the petitioner in W.P.No.17784 of 2025 (hereinafter referred as ‘the Firm’).

Mr. P.Venkata Prasad, learned counsel appears for M/s. P.V.Prasad and Associates for the petitioner in W.P.No.22854 of 2024 (hereinafter referred as ‘the Proprietor’).

Mr. Dominic Fernandes, learned Senior Standing Counsel for Central Board of Indirect Taxes and Customs (CBIC) appears for respondent Nos.1 to 3.

In W.P.No.17784 of 2025, the Firm questions the search and seizure orders dated 10.06.2025 and 11.06.2025, passed by respondent No.3. It prays for suspension of the seizure orders along with panchanama, pending disposal of the writ petition.

Counter-affidavit has been filed by respondents No.1 to 3 in W.P.No.17784 of 2025.

In the accompanying W.P.No.22854 of 2024, filed by the Proprietor, a Coordinate Bench of this Court passed an interim order dated 04.10.2024, for revocation of the cancellation of registration of the Firm, laying down certain conditions to be complied, as were laid down in the case of **Tvl. Sastha Engineering Works, rep. by its Partner v. State Tax Officer (Circle) and another** [2022 SCC OnLine Mad. 8452].

The conditions prescribed in the aforesaid interim order dated 04.10.2024, required the Proprietor to pay the tax defaulted prior to cancellation along with interest, fine and fee for belated filing of returns for the defaulted period within a period of 45 days from the date of receipt of a copy of the order. The Court further clarified that such demands shall not be allowed to be made or adjusted from any Input Tax Credit (ITC), which may be lying unutilized or unclaimed in the hands of the Proprietor. If any ITC has remained unutilized, it shall not be utilized unless scrutinized and approved by the competent officer and only on such approval, it shall be allowed to be utilized thereafter for discharging future tax liability under the Central Goods and Services Act, 2017 (for short ‘the CGST Act’) and the Central Goods and Services Rules, 2017 (for short ‘the CGST Rules’). The Proprietor was also under an obligation to file returns for the period subsequent to the cancellation of registration by declaring the correct value of supplies and payment of GST in cash. The respondents were also allowed to impose restrictions/limitations to ensure that there is no undue passing of ITC pending such cancellation and to ensure that there is no violation or an attempt to do bill trading by taking advantage of the Court’s order.

On satisfaction of the aforesaid conditions and payment of tax, penalty and uploading of returns, the registration would stand revived forthwith.

It is the stand of respondents No.1 to 3 that the Proprietor, instead of payment of tax, penalty and uploading of returns in the manner prescribed, has utilized the available ITC contrary to the interim directions of this Court and has filed NIL returns. On detection of illegal availment of ITC to the tune of Rs.21 crores, investigation proceedings were initiated against the Firm. During the course of the investigation proceedings, search and seizure has been made as the Proprietor failed to produce the relevant documents called for by the proper officer, duly authorized by the competent authority. During the course of search registers and documents were also seized. Further, the stock *i.e.*, raw materials and finished goods were also seized as the Proprietor could not produce the documents relating to the seized goods in the prescribed form GST INS-02, copy of which was given to the Proprietor.

According to the respondents, the investigation is still under way. Rule 140 of the CGST Act provides for release of seized goods on provisional basis upon execution of a bond for the value of goods in Form GST INS-04 and furnishing of a security in the form of bank guarantee equivalent to the amount of applicable tax, interest and penalty payable.

Learned counsel for the Firm, in this background, has submitted that the impugned seizure was without basis for forming reasons to believe. The proper officer, even after submission of the relevant documents on 18.06.2025, did not take any steps to release the goods seized. As a result, the business of the Firm has come to a standstill.

Learned Senior Standing Counsel for CBIC submits that the impugned seizure has been made upon failure of the Proprietor to produce the documents and registers of unauthorized stock, which could be considered as a practice of clandestine removal of goods without proper maintenance of inward and outward ledgers. The investigation is under way. In case the Firm is interested in seeking release of goods on provisional basis, it is required to submit a bond in the prescribed Form GST INS-04 in terms of Rule 140 of the CGST Rules. Learned Senior Standing Counsel has also submitted that adjudication proceedings have not yet been initiated as the investigation encompasses more than one supplier, who have, on fake invoices, indulged in accumulating ITC and utilizing it without supply of goods and consequent loss to the State Exchequer. However, on being specifically asked as to what is the value of the goods seized, which the Firm may seek provisional release, learned Senior Standing Counsel submits that the same could be quantified upon valuation, in case the Firm is interested in its provisional release.

Learned counsel for the Firm submits that such an application was made as back as 18.06.2025, which has not been responded to.

In such circumstances, let the respondents quantify the value of the seized goods within a period of ten days and inform the Firm. Thereafter, the Firm may, by submission of the bond/bank guarantee for the value of the seized goods, in the prescribed form as stipulated under the CGST Rules, seek release of the goods on provisional basis. On submission of such bond/bank guarantee, respondents No.1 to 3 would take a decision to release the provisional goods in accordance with law, within a period of two weeks from the date of receipt of such bond/bank guarantee.

Thereafter, the Firm as well as respondents No.1 to 3 would file affidavits informing about the exercise carried out.

Learned Senior Standing Counsel for CBIC shall also file additional counter-affidavit as to the averments made in the accompanied Writ Petition No.22854 of 2024 within that time.

List after four weeks.”

3. The divergence is on the issue whether as per the interim order the petitioner was required to submit both the bond and the bank guarantee for provisional release of the goods.

4. From the submissions made by the learned Senior Standing Counsel for CBIC, it appears that the quantification of the value was made and communicated to the petitioner on 08.09.2025. This relates to seizure of goods at two locations. One of the goods, which were seized, was released on payment of entire tax, interest and penalty liable by the petitioner on 15.09.2025. In respect of the other one, which is at Kotur, petitioner sought time by letter, dated 01.10.2025. Thereafter, the petitioner made a request for release of the goods by offering bond by letter, dated 09.04.2026, copy of which has been produced. In response thereto, the Department issued letter dated 21.04.2026 asking the petitioner also to submit a security in the form of a bank

guarantee. The contention of the petitioner is that the interim order required only bond/bank guarantee to be submitted for provisional release of the goods.

5. Learned Senior Standing Counsel for the respondent-CBIC contends that a complete reading of the interim order and Rule 140 of the Central Goods and Services Tax Rules, 2017 (for short, “the Rules”) would not leave any room of doubt that it contemplates submission of the bond, which is equivalent to the value of the goods and bank guarantee equivalent to the amount of applicable tax, interest and penalty payable as a security. He further submits that this Court had directed respondent Nos.1 to 3 to release the provisional goods in accordance with law on submission of such bond/bank guarantee. Therefore, insistence of the respondents upon submission of bank guarantee in consonance with the Rule cannot be made out as a breach of the interim order.

6. We have considered the submissions of the learned counsel for the parties on this limited issue arising out in compliance with the interim order dated 28.08.2025. A perusal of the operative part of the interim order indicate at more than one place the expression “bond/bank guarantee”. It also records the stand of the respondent-CBIC that release of goods can be made on submission of a bond in the prescribed Form GST INS-04 in terms of Rule 140 of the Rules. This Court had also observed that on submission of such bond/bank guarantee, respondent Nos.1 to 3 would take a decision to release the provisional goods in accordance with law. Rule 140 of the Rules is extracted hereunder:

“Rule 140 – Bond and security for release of seized goods

(1) The seized goods may be released on a provisional basis upon execution of a bond for the value of the goods in FORM GST INS-04 and furnishing of a security in the form of a bank guarantee equivalent to the amount of applicable tax, interest and penalty payable.

Explanation.- For the purposes of the rules under the provisions of this Chapter, the “applicable tax” shall include central tax and State tax or central tax and the Union territory tax, as the case may be and the cess, if any, payable under the Goods and Services Tax (Compensation to States) Act, 2017 (15 of 2017).

(2) In case the person to whom the goods were released provisionally fails to produce the goods at the appointed date and place indicated by the proper officer, the security shall be encashed and adjusted against the tax, interest and penalty and fine, if any, payable in respect of such goods.”

7. It is apposite to quote Section 67(6) of the Central Goods and Services Tax Act, 2017, the parent provision:

“67. Power of inspection, search and seizure:

(6) The goods so seized under sub-section (2) shall be released, on a provisional basis, upon execution of a bond and furnishing of a security, in such manner and of such quantum, respectively, as may be prescribed or on payment of applicable tax, interest and penalty payable, as the case may be.”

8. A perusal of the above provisions show that apart from execution of a bond for the value of goods, in Form GST INS-04, the petitioner is required to furnish security in the form of bank guarantee equivalent to the amount of applicable tax, interest and penalty payable. The Rule position therefore leaves no room of doubt that such an assessee has to produce both the bond and the bank guarantee for provisional release of goods. The interim order dated 28.08.2025 is clarified to that extent. Since the petitioner has already produced a bond in Form GST INS-04, the petitioner may seek release of the goods by

furnishing bank guarantee equivalent to the amount of applicable tax, interest and penalty payable in the manner prescribed under Rule 140 of the Rules.

9. With this clarification, the instant Writ Petition is disposed of. There shall be no order as to costs.

Miscellaneous applications, if any pending, shall stand closed.

APARESH KUMAR SINGH, CJ

G.M.MOHIUDDIN, J

Date: 16.06.2026
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