Case Citation: (2026) taxcode.in 1625 HC



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BEFORE THE MADURAI BENCH OF MADRAS HIGH COURT

DATED: **07.09.2026**

CORAM:

**THE HONOURABLE MR.JUSTICE C.SARAVANAN**

**W.P.(MD) Nos. 5207 & 5208 of 2026**
**and**
**W.M.P.(MD) Nos.4350, 4351, 4362 & 4364 of 2026**

Kayaar Exports Private Limited
rep. by its Managing Director Arunachalam. ... Petitioner in both W.Ps

Vs

1. The Joint Commissioner (Appeal),
Office of the Commissioner of GST and Central Excise (Appeal),
Circuit Office at Madurai,
No.4, Lal Bahadur Shastri Road,
GST Bhawan, Bibikulam
Madurai – 625 002.

2. The Assistant Commissioner,
O/o. the Assistant Commissioner of CGST and Central Excise,
Kovilpatti Division,
913, Main Road, Catholic Commercial Complex,
Kovilpatti 628 501
Tuticorin District. ... Respondents in both W.Ps

**PRAYER IN BOTH W.Ps:** Writ Petition filed under Article 226 of the



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Constitution of India for issuance of Writ of Certiorarified Mandamus, calling for the records of the impugned refund rejection order dated 14.11.2024 in FORM-GST-RFD-06, issued by the 2nd respondent and consequential impugned order in order-in-Appeal No.177 of 2025 (Common Order in MDU-CGST-JC-APP-177 and 178,/2025), dated 30.12.2025, issued by the 1st respondent and quash the same as arbitrary and consequently, direct the 2nd respondent to sanction and disburse the refund amount of Rs.2,05,13,718/- and Rs.2,05,99,202/-, respectively, to the petitioner.

For petitioner (in both W.Ps) : Mr. Satish Sundar

For respondents (in both W.Ps) : Mr.R.Gowrishankar, Senior Standing Counsel

*****

**COMMON ORDER**

Mr.R.Gowrishankar, learned Senior Standing Counsel, takes notice for the respondents.

2. By this common order, these two Writ Petitions are being disposed of. These Writ Petitions are taken up for final hearing at the time of admission with the consent of the learned counsel for the petitioner and learned Senior Standing Counsel for the respondents.



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3. In these Writ Petitions, the petitioner has challenged the impugned orders dated 14.11.2024 passed by the second respondent, whereby the two refund claims filed by the petitioner on 19.09.2024 were rejected by two separate orders, in respect of the refund claims filed for the periods between December 2022 and March 2023 and between November 2023 and April 2024, respectively.

4. The petitioner's Appeals against the aforesaid orders passed by the second respondent for the respective tax period *vide* order dated 14.11.2024 have been rejected by the first respondent by two separate orders, both dated 30.12.2025, which are also impugned in the respective Writ Petitions.

5. The case of the petitioner is that the petitioner is engaged in the manufacture of cotton yarn and cotton waste and that the petitioner is under the inverted duty structure under the provisions of the respective GST enactments and therefore, is entitled to refund on account of the excess tax paid on the inputs, namely, cotton fibre, packing material and consumables.



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6. The learned counsel for the petitioner would submit that the cotton fibre was procured at a tax rate of 5%, whereas the packing material and consumables were procured at 12% and 18%, respectively. Thus, the petitioner comes within the purview of the inverted duty structure under the provisions of the respective GST enactments.

7. The learned counsel for the petitioner has drawn attention to the order passed by this Court in ***W.P.No.10033 of 2024 dated 16.07.2024*** in the case of ***M/s.Eveready Spinning Mills Pvt. Ltd vs. The Assistant Commisioner, Dindigul***, wherein this Court has taken note of CNEC Circular No.135/05/2020-GST bearing reference CBEC-20/01/06/2019-GST, particularly paragraph 3.2 of the said Circular dated 31.03.2020.

8. It is submitted that the said Circular has also been quashed by various High Courts, which has been taken note of by this Court in its order dated 16.07.2024 in W.P.(MD)No.10033 of 2024, while passing orders in the case of ***M/s.Eveready Spinning Mills Pvt. Ltd.*** ‘s case (cited supra)



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9. The learned counsel for the petitioner would submit that an almost identical view was subsequently taken by this Court also in the case of ***Vindhya Spinning Mills Pvt. Ltd., vs. The Assistant Commissioner of CGST and Central Excise, Sivakasi in W.P.(MD)Nos.16757 & 16758 of 2025 dated 14.07.2026***.

10. The learned Senior Standing Counsel for the respondents, on the other hand, would submit that the claim of the petitioner that the petitioner falls within the inverted duty structure is incorrect, inasmuch as the petitioner has traded in cotton yarn and that the cotton yarn was treated as such and not as a manufactured product. Therefore, the question of refund on account of the inverted duty structure would not arise.

11. It is submitted that the petitioner could have claimed refund on the ground that the petitioner was under the inverted duty structure had the petitioner manufactured cotton yarn out of cotton fibre, packing material and consumables, which attract a higher rate of duty as compared to cotton yarn, which attracts 5%.



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12. It is further submitted that during the relevant period, the petitioner had purchased cotton yarn in excess, taking cotton yarn as per the usual commercial practice. In this connection, a reference is made to the following passages from the counter affidavit in Page No.11 and in Page No.7, as under:

> *"In the cotton spinning industry, it is a well-known commercial practice that manufacturers procure fresh raw cotton fibre in bulk during the harvest season, which normally occurs between the months of November and February. During this period, the taxpayer purchases substantial quantities of raw cotton from the market and stores the same in their godowns for use throughout the year in the spinning process. Consequently, at the end of February, the stock of raw cotton in the godown is generally at its peak and the corresponding input tax credit reflected in the electronic credit ledger is also comparatively higher."*
>
> *"For example:*
>
> *During Dec 2022 Mar 2023, raw cotton purchases amounted to approximately Rs.796 crore, whereas the value of outward supply was only Rs.463 c????.*
>
> *During Noy 2023 Jan 2024, raw cotton purchases amounted to approximately Rs.655 crore, whereas outward supply was only Rs.285 crore."*

13. Having considered the submissions made by the learned counsel for the



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petitioner and the learned Senior Standing Counsel for the respondents, and taking note of the stand taken by the respondents, I am inclined to quash the impugned orders and remit the cases back to the second respondent to examine whether, indeed, the petitioner was purchasing cotton yarn and claiming refund under the inverted duty structure, and/or whether the petitioner had purchased cotton fibre, packing material and consumables and manufactured cotton yarn and cleared cotton yarn on payment of tax.

14. In other words, the second respondent shall examine whether the petitioner had traded in cotton yarn simpliciter or had manufactured cotton yarn and sold the same. Subject to such finding, based on the documents to be produced by the petitioner, the second respondent shall proceed to pass final orders.

15. These Writ Petitions are disposed of, with the above observations. No costs. Consequently, connected miscellaneous petitions are closed.

Index : Yes / No
Internet : Yes / No
apd

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**C.SARAVANAN, J.**

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