

August 6, 2024

SEL/SEC/ 2024-2025/31

Ref: 532509 BSE Limited Department of Corporate Services P. J. Towers, 25th Floor, Dalal Street, Mumbai- 400 001	Ref: SUPRAJIT National Stock Exchange of India Ltd. Exchange Plaza, C-1, Block-G, Bandra Kurla Complex, Bandra (E) Mumbai- 400 051
---	---

Dear Sirs,

Sub: Disclosure under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

This is to inform you that the Company has received two Show Cause Notices (“SCN”) on August 5, 2024 (pertaining to the period from 1st July, 2017 to 31st March, 2019 and 1st April, 2019 to 31st March, 2023) from the office of Additional Commissioner of Commercial Taxes, (Enforcement) 17, Bengaluru, Karnataka u/s 74 (1) of the Karnataka Goods and Services Tax Act, 2017 (“the Act”). The SCN requires the Company to show cause as to why alleged GST demand of ₹ 52,16,87,213 /-, interest of ₹ 33,10,23,165 /- and penalty of ₹ 52,16,87,213 /- aggregating to ₹ 1,37,43,97,591 /- for the period July 2017 to March 2023 should not be demanded from the Company.

In this connection the Company has consulted the Indirect Tax legal counsels and our views are as under.

1. Both the SCNs have been issued on HSN classification of some of the products of the Company, solely by referring to the judgement of the Honorable Supreme Court in the case of Westinghouse Saxby Farmer Ltd. However, both the SCNs have not considered the circular/instruction No. 01/2022 – Customs dated 05.01.2022 issued by CBIC dated 5th January, 2022 wherein it has been clarified that demands cannot be raised by the revenue officers solely based on the abovementioned judgment but the issue has to be decided by considering various other judgments of the Honorable Supreme Court referred to in the said Circular and also independently going by the rules of interpretation, Section/Chapter notes and HSN Explanatory Notes. Hence, the two SCNs issued by the State GST department is contrary to above binding Circular.
2. Both the SCNs inter alia propose to demand IGST which is not permissible in as much as the State GST authorities have no jurisdiction to issue any demand notice and pass any demand orders to demand and recover IGST in terms of the Constitutional mandate vide Article 246A(2) read with Article 269A and Section 3 of the IGST Act, 2017. Hence, both

the SCNs proposing IGST demands to the extent of Rs. 1,15,50,74,305/- Is without jurisdiction.

3. Both the SCNs proposing to re-classify all the products under Chapter heading 8708/8714 is contrary to several judgements of Supreme Court on classification of parts and accessories contrary to interpretation of section notes, chapter notes and HSN explanatory notes. Hence the proposals in both the SCNs are untenable even on merits.
4. Both the SCNs has invoked section 74 (1) of the Act and the same is untenable in as much as none of the ingredients of section 74 (1) are involved. The entire issue pertains to classification of goods manufactured by the Company, and it is well settled that any dispute revolving around classification of goods cannot have the ingredient of evasion of payment of tax. Hence, the invocation of provisions of section 74 (1) is highly unjustified.
5. The Central GST authority have also issued a SCN invoking section 74 (1) of the CGST Act proposing to similar demands in respect of one of the product 'Speedometer' for the period from 1st July 2017 to 19th September, 2021. The company has already filed a reply to the said notice before the concerned Central GST authority which is pending adjudication. In the two SCNs issued by the State GST authority has again included the same transactions/value and there has been duplication of demand in both the SCNs issued by the State GST authorities.
6. Further, the two SCNs issued by State GST authorities have also proposed to demand GST in respect of inter-unit transfer of raw materials as finished goods, which is incorrect. Since company has discharged GST on inter-unit transfer of raw materials as applicable, however, GST authorities have invoked judgment of Westinghouse Saxby Farmer Ltd, which is inappropriate.
7. Also, both the SCNs issued by the State GST authority has also proposed demand differential GST on supply of Tractor parts which is contrary to rate notification. Hence, the proposals in both the SCNs even on this score is untenable.
8. Before issue of two SCNs against the company, the State GST authority has not complied with the statutory requirement of issuing pre-show cause notice consultation and has not afforded adequate opportunity to explain the facts. Had the State GST authority granted adequate time and opportunity to the company, the issue of two SCNs which proposes to demand savage amounts could have been avoided. Hence, both the SCNs are also contrary to statutory scheme of pre-show cause notice consultation which is a statutory requirement.

Kindly note that the Show Cause Notice does not impact the financial, operational or other activities of the Company

The Company strongly believes that it has a strong case on merits and does not expect any liability on account of these show cause notices.

The Company will submit response as appropriate within the prescribed timelines or evaluate other legal options against the said SCNs.

The details as required under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with SEBI Circular dated July 13, 2023 are enclosed herewith as an **Annexure 1**.

Thanking you,

Yours faithfully,
For Suprajit Engineering Limited

Medappa Gowda. J
CFO & Company Secretary

Encl. As above

Annexure-1

Name of the authority	Office of the Additional Commissioner of Commercial Taxes (Enforcement) 17, Jurisdiction: Bengaluru South Zone, State - Karnataka
Nature and details of the action(s) taken, or order(s) passed	Show Cause Notices (“SCNs”) received by the Company under Section 74(1) of the Karnataka Goods and Services Tax Act, 2017 (“the Act”) along with interest under Section 50(1) of the Act and penalty under Section 74 (1)(9) of the Act for the period July 2017 to March 2023 in respect of HSN classification of some products.
Date of receipt of direction or order, including any ad-interim or interim orders, or any other communication from the authority	August 5, 2024
Details of the violation(s)/contravention(s) committed or alleged to be committed	SCNs seeks additional tax liability by applying different HSN codes by invoking case referred above instead of HSN codes adopted by company.
Impact on financial, operation or other activities of the listed entity, quantifiable in monetary terms to the extent possible.	There is no impact on financial operation or other activities of the Company pursuant to the receipt of SCNs.