APHC010336842021

**IN THE HIGH COURT OF ANDHRA PRADESH**
**AT AMARAVATI** **[3529]**
**(Special Original Jurisdiction)**

WEDNESDAY, THE ELEVENTH DAY OF FEBRUARY
TWO THOUSAND AND TWENTY SIX

**PRESENT**

**THE HONOURABLE SRI JUSTICE R RAGHUNANDAN RAO**

**THE HONOURABLE SRI JUSTICE T.C.D.SEKHAR**

**WRIT PETITION NO: 14517/2023**

**Between:**

1. HALLIBURTON OFFSHORE SERVICES INC.,, PLOT NO. 5A3, UNIT-2, ADB ROAD, VALCALPUDI, EAST GODAVARI, ANDHRA PRADESH-533004 REPRESENTED BY MR. SALIL BODAS TAX SPECIALIST

**...PETITIONER**

**AND**

1. UNION OF INDIA, REP. BY ITS SECRETARY, DEPARTMENT OF REVENUE, MINISTRY OF FINANCE, CENTRAL GOVERNMENT CENTRAL SECRETARIAT, NORTH B LOCK, NEW DELHI - 110 001
2. THE PR COMMISSIONER OF CGST, VISHAKHAPATNAM COMMISSIONERATE, GST BHAVAN , PORT AREA, VISHAKHAPATNAM-530035.

**...RESPONDENT(S):**

Petition under Article 226 of the Constitution of India praying that in the circumstances stated in the affidavit filed therewith, the High Court may be pleased topleased to (i) issue a Writ of Certiorari or a writ in the nature of Certiorari or any other writ, order or direction under Article 226 of the Constitution of India calling for the records pertaining to the Petitioner's case and after going into the validity and legality thereof to quash and set aside Order No. Order/AAAR/AP/06(GST)/2020 dated 09.11.2020 (Annexure P1) passed by the Ld. Appellate Authority in the interest of justice and equity, (ii) issue a Writ of Mandamus or a writ in the nature of Mandamus or any other appropriate writ, order or direction under Article 226 of the Constitution of India, directing the Respondent No. 2 to forthwith refrain from treating the supply of mud engineering services and supply of mud chemicals and additive as separate supplies. (iii)pending the final hearing of this petition direct the

Respondent No. 2 to refrain from taking any further proceedings or steps in furtherance of and/or in implementation of the Order No. Order No. Order/AAA_RJAP/06(GST)/2020 dated 09.11.2020 passed by the Ld. Appellate Authority and pass such other order or orders may deem fit and proper in the circumstances of the case. (iv) for costs of the Writ Petition and orders thereon, and (iv) for such further and other reliefs, as this Hon'ble Court may deem fit and proper in the nature and circumstances of the case

**<u>IA NO: 1 OF 2023</u>**

Petition under Section 151 CPC praying that in the circumstances stated in the affidavit filed in support of the petition, the High Court may be pleased pleased to condone the delay of 613 days in representing the instant Petition bearing Sr. No27099 dated 13.09.2021 and pass

**<u>IA NO: 2 OF 2023</u>**

Petition under Section 151 CPC praying that in the circumstances stated in the affidavit filed in support of the petition, the High Court may be pleased pleased to suspend the operation of the Order No. Order/AAAR/AP/GST(06)/2002 dated 09.11.2020, passed by the Ld. Appellate Authority, pending disposal of the above writ petition and pass

**<u>IA NO: 1 OF 2025</u>**

Petition under Section 151 CPC praying that in the circumstances stated in the affidavit filed in support of the petition, the High Court may be pleased please to grant leave for filing Rejoinder affidavit in Writ Petition No. 14517/2023 and pass

**Counsel for the Petitioner:**

1. KADIMISETTY SAI SREENADH

**Counsel for the Respondent(S):**

1. SANTHI CHANDRA (Sr. Standing Counsel for CBIC)
2. DEPUTY SOLICITOR GENERAL OF INDIA

**Date of Reserved : 28.01.2026**

**Date of Pronouncement : 11.02.2026**

**Date of Upload : 11.02.2026**

**The Court made the following Order:**

Heard Sri Prasad Paranjape, the learned counsel appearing for Sri K. Sai Sreenadh, learned counsel for the petitioner and Smt. Santhi Chandra, the learned Standing Counsel for CBIC appearing for the respondents.

2. The petitioner which is registered outside India had established its project office, in Mumbai, Maharashtra and set up an office in the East Godavari District of Andhra Pradesh. The petitioner is engaged in supply of oil field related services. The details of the services are given by the petitioner in paragraph No.6 of the affidavit filed in support of the Writ Petition which states that the services provided by the petitioner, *inter-alia* include:-

I. Mud engineering services

II. Operation and management of mud plant services

III. Drilling, waste management services

IV. Waste management

V. Fluid management services, etc.

3. The petitioner was awarded a contract by M/s. Oil India Limited for providing mud engineering and other service in relation to the works being carried out by Oil India Limited in the Krishna-Godavari (KG) basin project in the State of Andhra Pradesh. This contract was award to the petitioner by way of a letter of award, dated 30.03.2014 and a contract was executed on 08.09.2014 between the petitioner and M/s. Oil India Limited. The scope of the

services, to be given by the petitioner is set out in clause-10 of the contract reads as follows:-

“***Clause-10:SCOPE OF SERVICE***

*The COMPANY invites bids for the supply of the following:*

- *Drilling, Completion and Wellbore Clean-up Fluids Chemicals.*
- *Mud Engineering Services.*
- *Mud Laboratory and Mud Testing Equipment.*
- *Centrifuges, De watering, Cuttings Dryer and Filtration Packagesand Services.*
- *CONTRACTOR to provide Mud Engineering services inclusive of Tools / Equipment/Laboratory facilities / Consumables/chemicals / additives & personnel for drilling of HTHP wells in KG onsnore.*
- *The CONTRACTOR is required to provide complete mud service. The scope of work includes but not limited to.*
    - *Designing and formulation of HTHP mud program with WBM and LTOBM/SOBM options for drilling in Environmentally Sensitive Areas. Disposal and Drilling Waste Management is covered in the Solids Control and Waste Management section.*
    - *Mud Engineering services.*
    - *Supply of complete line of drilling mud, completion fluids and wellbore cleanup chemicals/additives.”*

4. The various responsibilities of the petitioner under this contract are also set in clauses-11.2, 12, 13 & 14 of the said contract. One of the relevant clauses for the purposes of this Writ Petition is clause-16 and more specifically clause-16.2.7 & 16.2.9 which state that M/s.Oil India Limited would not buy any leftover chemicals brought by the petitioner, after the project is completed or the period of contract lapses.

5. As there was some ambiguity about the rate of tax and the nature of the contract, for the purposes of the Goods & Services Act, 2017 [for short “the GST Act”], the petitioner approached the authority for advance ruling with the following queries:-

“The Applicant would like to seek a ruling on the following:

a) Whether the supply of mud engineering services along with supply of imported mud chemicals and additives provided on consumption basis by the Applicant under the Contract qualify as composite supply.

b) If answer to Para (a) is yes, then whether the supplies made under the Contract merits classification under Entry 9986 (ii)-Service of exploration, mining or drilling of petroleum crude or natural gas or both and subject to GST at the rate of 12%/18% as the case may be.

c) If the answer to Para (a) is no, then whether such supply of mud chemicals and additives on consumption basis at OIL India's location in India provided under the Contract qualify for concessional GST rate of 5% against an Essentiality Certificate ('EC") under Notification No.50/2017-Customs dated 30 June 2017."

6. The authority for advance ruling gave the following ruling:-

**Question (a):**Whether the supply of mud engineering services along with supply of imported mud chemicals and additives provided on consumption basis by the Applicant under the Contract qualify as composite supply.

**Answer (a):** No

**Question (b):**If answer to Para (a) is yes, then whether the supplies made under the Contract merits classification under Entry 9986 (ii)-Service of exploration, mining or drilling of petroleum crude or natural gas or both and subject to GST at the rate of 12%/18% as the case may be.

**Answer (b):** Not applicable as its replied in question (a)

**Question (c):**If the answer to Para (a) is no, then whether such supply of mud chemicals and additives on consumption basis at OIL India's location in India provided under the Contract qualify for concessional GST rate of 5% against an Essentiality Certificate ('EC") under Notification No.50/2017-Customs dated 30 June 2017.

**Answer (c):** The benefits under referred Customs Notification is available to supply of such goods at the time of their importation subject to fulfillment of description, tariff item, lists and conditions specified therein and subject to the satisfaction of the Proper Officer"

7. The authority for advance ruling took the view that the scope of the contract provides for supply of both services as well as supply of additives/ chemicals/consumables which would result in a single package comprising of supply of services and supply of goods. These findings are set out in paragraph Nos.9.5 & 9.6 of the order of the authority for advance ruling.

8. After holding that the contract is a contract for supply of services and supply of goods, the authority for advance ruling went into the question of whether this contract would fall within the definition of “composite supply”, set out in Section 2(30) of the GST Act. The authority for advance ruling, by it’s order, dated 13.05.2020, took the view that a contract of supply of service and supply of goods would fall within the definition of composite supply only when the both supplies are provided in conjunction with each other. The authority for advance ruling then, went into the clauses set out in the contract and took the view that the supply of mud additives/chemicals cannot be said to be supplied in conjunction with supply of services and consequently, the contract does not fall within the ambit of “composite supply”.

9. Aggrieved by the said order, dated 13.05.2020, the petitioner approached the appellate authority for advance ruling. The appellate authority for advance ruling, by an Order dated 09.11.2020, affirmed the order of the authority for advance ruling. The appellate authority for advance ruling took the view that there are two taxable supplies, being supply of services and supply of goods under the contract. Both the supplies can be considered to be “composite supply” if they are naturally bundled and supplied in conjunction with each other. The appellate authority for advance ruling, after taking this view, held that there was no definition or guidelines as to what would be naturally bundled supply and what would amount to supply in conjunction with each other, in the GST Act. The appellate authority for advance ruling, had thereupon relied upon the education guide issued by the Central Board of

Excise & Customs in the year-2012 and relied upon the clause 9.2.4 of this guide. The said clause stated that bundling of services can be accepted if there is a single price for both supplies or all the elements are advertised as a package and would not available separately. The appellate authority for advance ruling then took the view that the consideration payable under the contract was not a single price but would be depended upon the differences invoices raised for these supplies separately and individually. The appellate authority for advance ruling also took the view that the supplies of the chemicals, additives and mud engineering services are two different services and separately available and consequently, they cannot be treated to be part of the composite supply. On the basis of these findings, the appellate authority for advance ruling took the view that both supplies would have to be treated separately and the GST would have to be levied independently.

10. Aggrieved by this Order, dated 09.11.2020, the petitioner has approached this Court by way of the present Writ Petition.

11. The petitioner assails the findings of the authority for advance ruling and the findings of the appellate authority for advance ruling on the following grounds:-

I. Both the authorities have not read the agreement as a whole and had picked and chosen separate parts of the contract which is impermissible in view of the Judgment of the erstwhile High Court of Andhra Pradesh, in the case of *RastriyaIspat Nigam Limited*

*Vs. Commercial Tax Officer*[1] which came to be affirmed by the Hon'ble Supreme Court of India, in the case of RINL (2002) 126 STC 114 (SC).

II. The appellate authority for advance ruling had not considered the submissions of the petitioner raised in the appeal memorandum, during the course of the hearing and in the written submissions filed before the appellate authority for advance ruling. The petitioner would also rely upon the Judgment of the Hon'ble Kerala High Court in the case of *Abbott Healthcare Pvt. Ltd Vs. the Commissioner of Commercial Tax, Thrissur*[2]*,* to contend that the supply of services and goods by the petitioner, would amount to a composite supply.

**CONSIDERATION OF THE COURT:-**

12. Section-2(30) of the GST Act defines the composite supply in the following term:-

> **2. (1) Definitions.— In this Act, unless the context otherwise requires,—**
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> *(30) —composite supply means a supply made by a taxable person to a recipient consisting of two or more taxable supplies of goods or services or both, or any combination thereof, which are naturally bundled and supplied in conjunction with each other in the ordinary course of business, one of which is a principal supply;*
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> *Illustration.— Where goods are packed and transported with insurance, the supply of goods, packing materials, transport and insurance is a composite supply and supply of goods is a principal supply;*

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[1] (1990) 77 SCT 182 (AP)

[2] 2020 (34) G.S.T.L.579(Ker.)

13. This definition states that any supply of services and goods, by a taxable person to one recipient, can be treated as a composite supply if the conditions set out in the said definition are complied. The two conditions set out in the said definition are that supply of goods and services should be naturally bundled together and secondly, they should be supplied in conjunction with each other.

14. In the present case, the petitioner is supplying both mud engineering services as well as chemicals and other material, to the same recipient, M/s Oil India Limited. The first requirement, of supply of both services and goods to the same recipient is fulfilled.

15. It has to be ascertained, if the two requirements that supply of goods and services should be naturally bundled together and that they should be supplied in conjunction with each other, are fulfilled. As pointed out by the appellate authority for advance ruling, these two terms are not defined or explained in the GST Act. However, the meaning of these two terms is quite clear and unambiguous. The meaning of these two terms would be to ascertain whether there is a contract, between the supplier and the person receiving supplies, which requires the supply of services as well as supply of goods. The supply of both services and the supply of goods should be an essential and intertwined part of the contract.

16. In the present case, the contract between the petitioner and M/s. Oil India Limited, is set out in the clause-10 of the contract which has been extracted above.

17. M/s. Oil India Limited, in the course of its drilling of oil, operates various oil wells. The drilling of Oil Wells, at great depths and in geological structures has to be a very careful and calibrated exercise, requiring careful management of the oil well drilling. This requires the services of Mud engineering services companies. The main task of such mud engineering experts is to maintain borehole stability and various parameters of safe and efficient oil and gas drilling. For the purposes of maintaining the necessary parameters, certain drilling fluids, consisting of chemicals and other components are injected into the boreholes. The task of determining the components of such chemical mixtures would be on the persons giving such mud engineering services. In short, a mud engineer would be monitoring the drilling of oil wells and advising the quantity and composition of the chemicals and other substances that need to be injected into the borewells, to ensure safe and efficient drilling of oil and gas wells. Thus, the supply of mud engineering services cannot be separated from the supply of chemical etc, to ensure that the drilling is done within the permissible parameters.

18. The appellate authority for advance ruling appears to have ignored this aspect of the contract. A comprehensive reading of the contract, in the light of clause-10, set out above, would show that the contract is for the purposes of managing the drilling activities of M/s.Oil India Limited, which requires the petitioner to monitor the drilling operations and to inject necessary material, as required from time to time. In this process, the petitioner is entitled to charge, for the material which gets consumed, while maintaining the

necessary conditions for safe and efficient drilling. The fact that separate bills are being issued, against the supply of goods, would not make any difference for ascertaining the nature of the transaction/contract. Some of the criteria for determining whether a contract is a composite supply, is to see whether supply of both services and goods are necessary for execution of the contract and whether they are in conjunction with each other. In the present case, the contract is to ensure that the drilling activity of Oil India Limited, is done in a safe and efficient manner. This object is achieved, by the petitioner, by supplying services to monitor the drilling activity and by injecting, into the oil well, chemicals and other substances, whenever injection of such substances are necessary to maintain optimal conditions for drilling. It may also be noted that the chemicals and other substances, supplied by the petitioner, are not off the shelf goods, but compounds, prepared by the petitioner, to suit the peculiar requirements of the drilling site. In the circumstances, the supply of mud engineering services and the supply of chemicals etc would have to be treated as a composite supply.

19. In that view of the matter, the findings of the authority for advance ruling as well as the appellate authority for advance ruling have erred in holding that the supply of services and goods, by the petitioner, to M/s Oil India Limited, is not a composite supply.

20. The petitioner had also sought a direction for fixation of the applicable rate of tax. This Court does not propose to go into the said question

inasmuch as the said issue was not decided by the authority for advance ruling or the appellate authority for advance ruling. The said issue is left open.

21. In view of the above findings, this Writ Petition is allowed, setting aside the impugned order of the authority for advance ruling, date 13.05.2020, as well as the impugned order of the appellate authority for advance ruling, dated 09.11.2020, leaving it open to the petitioner to approach the appropriate authority for fixation of the appropriate rate of tax, for such composite supply. There shall be no order as to costs.

As a sequel, pending miscellaneous applications, if any, shall stand closed.

**R. RAGHUNANDAN RAO, J**

**T.C.D. SEKHAR, J**

Date: 11.02.2026
BSM

**THE HON'BLE SRI JUSTICE R. RAGHUNANDAN RAO**

**AND**

**THE HON'BLE SRI JUSTICE T.C.D.SEKHAR**

**<u>WRIT PETITION No.14517 of 2023</u>**

**11-02-2026**

BSM