

	<p style="text-align: center;"> <b>सीमा शुल्क के प्रधान आयुक्त का कार्यालय</b>  <b>सीमा शुल्क सदन, मुंद्रा, कच्छ, गुजरात</b>  <b>OFFICE OF THE PRINCIPAL COMMISSIONER</b>  <b>OF CUSTOMS</b>  <b>CUSTOMS HOUSE, MUNDRA, KUTCH,</b>  <b>GUJARAT</b>  <b>Phone No.02838-271165/66/67/68</b>  <b>FAX.No.02838-271169/62,</b>  <b>Email-adj-mundra@gov.in</b> </p>	
<b>A. File No.</b>	<b>: GEN/ADJ/ADC/429/2025-Adjn-O/o Pr. Commr- Cus-Mundra</b>	
<b>B. Passed by</b>	<b>: Amit Kumar Mishra,</b> <b>Additional Commissioner of Customs,</b> <b>Customs House, AP &amp; SEZ, Mundra.</b>	
<b>C. Noticee(s) / Party / Importer</b>	<b>: M/s. Orca Petroleum, (IEC:DTQPK5093H)</b>	
<b>D. DIN</b>	<b>: 20250271MO000031893C</b>	
<b>E. SCN Date</b>	<b>: 10.02.2025</b>	

**SHOW CUASE NOTICE UNDER**  
**(UNDER SECTION 124 OF THE CUSTOMS ACT, 1962)**

**Whereas it appeared that:**

M/s. Orca Petroleum, **(IEC:DTQPK5093H)** (*hereinafter also referred to as "the Importer"*), having address at Flat No. 62, Road/Street-1<sup>st</sup> Cross Road, Nr. Shri Mahaveer Medical & General Store, Ganga Nagar, Bengaluru, Karnataka, filed Bill of Entry No. 5020512 dated 12.08.2024 (**RUD No.-1**) at Mundra Port. Intelligence gathered by the Directorate of Revenue Intelligence (DRI), indicated that the said importer had tried to import Diesel/Light Diesel Oil by mis-declaring the same as Distillate Oil. The import of Diesel/Light Diesel Oil into India is restricted and only State Trading Enterprises are allowed to import the subject goods as per Foreign Trade Policy. Details of the said consignment as per Bill of Entry are as under:

**Table-I**

<b>Bill of Entry No.</b>	5020512 dated 12.08.2024 (INMUN1)
<b>Bill of Lading No.</b>	241682833 dated 07.08.2024
<b>Declared Goods</b>	Distillate Oil HS Code: 27101961
<b>Customs Broker</b>	M/s. Gaurav M. Jhaveri
<b>Assessable Value</b>	Rs. 1,19,34,634/-
<b>Total declared Qty.</b>	281.980 MTs
<b>Country of Origin</b>	UAE
<b>No. of Containers</b>	15 Containers as per Bill of Lading
<b>Supplier</b>	M/s Henkel International Lubricant, PO Box 49630, Hamriyah Free Zone, Sharjah, UAE

**2.1.** Accordingly, after approval of the competent authority, the above said consignment was put on hold by the DRI on 14.08.2024. Further, Examination of the 15 containers covered under the said consignment was carried out by the DRI under panchnama dated 19.08.2024 (**RUD-2**) in presence of the representative of the Customs Broker, at M/s Landmark CFS, Adani Port and SEZ, Mundra. During the said examination proceedings, representative samples, in duplicate,



were also drawn from each of the 15 containers, for testing to ascertain the exact nature of the import goods in the said consignment.

**2.2.** During examination, it was noticed that the actual quantity of goods found in each container were different from the quantity mentioned in the corresponding invoices/packing list. The actual quantity of the subject goods found during examination at M/s Landmark CFS, Adani Port and SEZ, Mundra were as under;

**Table-II**

Sr. No.	Description of Goods (declared in BL)	BL No. & Date	Name of the Importer	Name of the supplier	Container No.	Country of Origin	Actual quantity of the goods found during Examination (MTS)
1	Distillate Oil	Bill of Lading No. MAEU 24168 2833	M/s. Orca Petroleum	M/s. Henkel International Lubricants FZE, PO Box 49630, Hamriyah Free Zone, UAE	MRKU7782158	UAE	18.910
2					MRKU6664269		18.350
3					MRKU7237410		18.690
4					MRKU7672757		19.110
5					MRKU7907548		19.040
6					MRKU8120515		18.650
7					MRKU8688320		18.610
8					MRKU9430900		18.640
9					MRKU9663440		19.260
10					MRKU9800327		19.080
11					MRSU0301607		18.980
12					MSKU5681978		18.860
13					MSKU5795950		18.930
14					SUDU7752009		18.440
15					SUDU7909530		18.760
Grand Total							282.340

### **3. Testing and Seizure:**

**3.1** The 15 representative samples were sent to Central Excise and Customs Laboratory (CECL), Vadodara for testing of the same. CECL, Vadodara submitted their test reports dated 23.09.2024 (**RUD-3 Coll'y**) in respect of the said 15 samples. The said test reports in respect of **all of the 15 samples**, on the basis of

the tested parameters by the CECL Vadodara, indicated that ***“the sample meets the requirement of Light Oils & preparations as per Chapter 27, Note 4 of CTI.”***

Further in terms of the Supplementary Note to Chapter 27 of First Schedule to the Customs Tariff Act 1975, which provides as follow:

In this chapter, reference to any standard of the Bureau of Indian Standards refers to the last published version of the standard.

**3.2** Looking to the above BI Standard for the Light Oil & Preparations will be IS 15770: 2008 and as per Indian Standard 15770:2008, the general requirements in respect of Light Oil& Preparations are specified as under: -

3.1. The material shall be hydrocarbon oils derived from petroleum. Suitable fuel additives without harmful side effects can be used to improve the performance quality. The material shall be free from grit, suspended matter and other visible impurities. The gross calorific value of the fuel may be in the range of 10000 to 10500 kcal/kg.

3.1.1. It is either a viscous distillate fuel or a blend of distillate fuel and residuum oil.

3.1.2. The use of dyes or markers is permitted.

3.2. The material shall also comply with the requirements prescribed in Table 1 when tested according to the appropriate methods prescribed in col 4 of Table 1; as detailed below:

**Table 1**

Sl. No.	Characteristics (Test Name/Parameters)	Requirements as per IS: 15770:2008 (Light Oil and Preparations)	Method of Test Ref to [P:] of IS 1448
1	Acidity, inorganic	Nil	[P:2]
2	Ash, percent by mass, Max	0.02	[P:4]
3	Carbon residue (Ramsbottom) on whole sample, percent by mass, Max	1.5	[P:8]
4	Pour Point °C, Max a) Winter b) Summer	12 °C 21 °C	[P:10]
5	Copper Strip corrosion for 3h at 100 °C	Not worse than No.2	[P:15]
6	Flash Point: Pensky Martens, °C Min	66 °C	[P:21]
7	Kinematic viscosity cSt, at 40 °C	2.5 to 15.0	[P:25]
8	Sediment content percent by mass, Max	0.10	[P:30]
9	Density at 15 °C, Kg/m3	To be reported	[P:16] [P:32]
10	Water content, percent by volume, Max	0.25	[P:40]
11	Total Sulphur, percent by mass, Max	1.5	[P:33]

1) Winter shall be the period from November to February (both months inclusive) and rest of the months of the year shall be called as summer.

2) In case of dispute [P:32] shall be the referee test method.



3) The stringent limits are applicable in certain areas as notified by the competent authority from time-to-time

**3.3** Whereas, in the instant case, the nature, appearance, specifications, characteristics of subject goods have been categorically explained in the Test Reports of CECL, Vadodara, in terms of parameters/criteria prescribed vide **Indian Standard IS: 15770 (2008)** and all the requirements prescribed, are meeting indicating the subject goods as '**light oil and preparation**'. The comparison of requirements of Light Diesel Oil and Preparations as per IS: 15770 (2008) vis-a vis the parameters /specifications reported vide the Test Report of CECL, Vadodara are tabulated hereunder: -

<b>Characteristics (Test Name/Parameters)</b>	Density at 15 °C(g m/c m³)	Flash Point (Ab el) °C	K.V. at 40 °C (CS T)	As h Co nte nt	Wa ter Co nte nt	Se di me nt Co nte nt	Distil lation Rang e: IBP °C	90% Distil led at Temp °C	FBP in °C	Sulp hur cont ent in %	Ceta ne inde x
RCL/DRI/Gandhidham/3242/03.09.2024	0.7828	27	0.851	Nil	Nil	Nil	137	187.9	230.9	0.102	38.26
RCL/DRI/Gandhidham/3243/03.09.2024	0.7823	26.5	0.849	Nil	Nil	Nil	135.9	189.9	230.8	0.088	38.49
RCL/DRI/Gandhidham/3244/03.09.2024	0.7816	26	0.862	Nil	Nil	Nil	132	198	238	0.074	38.81
RCL/DRI/Gandhidham/3245/03.09.2024	0.7827	26	0.849	Nil	Nil	Nil	135	200	240	0.084	38.30
RCL/DRI/Gandhidham/3246/03.09.2024	0.7826	26	0.849	Nil	Nil	Nil	136	198	240	0.112	38.35
RCL/DRI/Gandhidham/3247/03.09.2024	0.7827	24	0.849	Nil	Nil	Nil	136.2	188.4	230.5	0.087	38.30
RCL/DRI/Gandhidham/3248/03.09.2024	0.7828	27.5	0.854	Nil	Nil	Nil	137.3	189.9	230.8	0.078	38.49
RCL/DRI/Gandhidham/3249/03.09.2024	0.7821	27	0.856	Nil	Nil	Nil	137.8	189.6	231.9	0.072	38.88
RCL/DRI/Gandhidham/3250/03.09.2024	0.7827	27	0.857	Nil	Nil	Nil	137.9	189.6	231.4	0.073	38.49



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RCL/DRI/Ga ndhidham/3 251/03.09.2 024	0.78 27	27. 5	0.86 6	Nil	Nil	Nil	138	190.7	230. 6	0.07 4	38.6 3
RCL/DRI/Ga ndhidham/3 252/03.09.2 024	0.78 25	27	0.86 8	Nil	Nil	Nil	138.2	190.6	230. 8	0.07 3	38.6 8
RCL/DRI/Ga ndhidham/3 253/03.09.2 024	0.78 26	27	0.85 5	Nil	Nil	Nil	136.9	191.8	230. 3	0.08 8	38.8 8
RCL/DRI/Ga ndhidham/3 254/03.09.2 024	0.78 25	26. 5	0.85 8	Nil	Nil	Nil	136.6	190.4	229. 6	0.08 8	38.7 3
RCL/DRI/Ga ndhidham/3 255/03.09.2 024	0.78 27	28	0.85 8	Nil	Nil	Nil	138.3	188.4	232. 1	0.07 5	38.3 4
RCL/DRI/Ga ndhidham/3 256/03.09.2 024	0.78 26	26. 5	0.85 9	Nil	Nil	Nil	138	192.1	231. 8	0.07 3	38.7 5

**3.4** Import of "Light Oils & Preparations", is restricted into India, and the same can only be imported subject to Policy Condition No. 5 of Chapter 27. Therefore, it appeared that said importer has imported restricted goods i.e. **"Light Oil and Preparations (other than Naphtha)"** by mis-declaring the same as "distillate oil" under the said consignment. Accordingly, there being a reasonable belief that that the said goods were liable for confiscation under the provisions of Section 111 of the Customs Act, the same were placed under seizure under Section 110 of the Customs Act, 1962, vide Seizure Memo dated 16.10.2024 (**RUD-4**).

#### **4. Investigation and recording of statements:**

**4.1** Letter dated 18.09.2024 and subsequent reminders were sent to Shipping Agent M/s Maersk Line India Private Limited., Gandhidham requesting to provide copies of all the documents i.e. Customs declaration, etc. submitted to the shipping line by the shipper M/s. Henkel International Lubricant FZE, UAE located in UAE in case of the subject Bill of Lading No. 241682833 dated 07.08.2024.

**4.2** Statement of Shri Shafiulla Khan, Properitor of M/s. Orca Petroleum, was recorded on 08.10.2024 and 23.12.2024 (**RUD-5 Coll'y**) during which he interalia, stated that their firm was primarily engaged in the trading of imported Industrial Oil/Distillate Oil and locally trading for using Distillate oil in boilers and burning purpose. Shri Shafiulla stated that he had personally looking after the purchase and the import related works of the firm. Further, Shri Shafiulla stated that the firm sells the product to buyers based on their requirements, who used it primarily for boilers and other burning purposes. Their firm imported Distillate Oil only. This is the approx. 06 imported consignment of Distillate Oil to date at Mundra Port from the UAE. The supplier of this particular shipment was



M/s. Henkel International Lubricant "FZE, based in Dubai, UAE. Shri Shafiulla disclosed that he had personally placed the order for this consignment. When asked about correspondence with the supplier, Shri Shafiulla stated that no email communication was conducted with the supplier, as all interactions were telephonic. Documents related to the import were also shared over the phone. Shri Shafiulla submitted copies of the analysis report, invoice, packing list and bill of lading as supporting documents for the import transaction. Upon being presented with reports from the Central Excise and Customs Laboratory, Vadodara, Shri Shafiulla reviewed the findings and acknowledged their conclusions. The laboratory tested samples from the imported consignment under Test Memo Nos. 287/2024 to 301/2024. The results indicated that **"the sample meets the requirement of Light Oils & preparations as per Chapter 27, Note 4 of CTI."**, and the product was classified under Customs Tariff Heading (CTH) 2710 1290. Shri Shafiulla was also accepted that this product is restricted for import under Policy Condition No. 5 of Chapter 27 of the ITC (HS) Import Policy.

**4.3** In his said statement, Shri Shafiulla accepted the test report findings. He clarified that their firm had been regularly importing Distillate Oil and suggested that the incorrect specification might be due to an error on the part of the supplier. He submitted an analysis report provided by the supplier, which described a different specification than that indicated by the Customs Laboratory test. He provided the specifications provided by the overseas supplier at UAE. In response to questions about the discrepancy between the specifications submitted by their firm and the test results from the Customs Laboratory, Shri Shafiulla stated that their company had only relied on supplier's analysis report and no independent verification was done by them. He noted that the supplier's provided specifications indicated a flash point of 45.5 degrees Celsius, an initial boiling point (IBP) of 165 degrees Celsius, and a final boiling point (FBP) of 395 degrees Celsius. However, the Customs Laboratory test results showed different specifications. He reiterated his intention to address this discrepancy with the supplier. Further, Shri Shafiulla also accepted that the goods imported by their firm are not Light Naphtha, Heavy Naphtha or Full Range Naphtha. They have not ordered any type of Naphtha. He had gone through the chapter heading and restrictions and agreed that the imported goods fall under the CTH 27101290 which is restricted goods under Policy Condition No. 5 of Chapter 27. In response to questions about there is no such HS Code 27101961 and also there is no such item as Distillate Oil, however declaration has been made as Distillate Oil under CTH 27101961 in Bill of Entry No. 5020510 dated 12.08.2024 in HSN List of Sharjah Customs available on website <https://sharjahcustoms.gov.ae/files/CustomsAffairs/En/HS%20Code.pdf>, he stated that their company only declared the goods as 'Distillate Oil based on the documents which were provided by the supplier.

**4.4** Statement of Shri Gaurav Madhusudan Jhaveri, an 'F Card' holder of Customs Broker M/s. Gaurav M. Jhaveri, was recorded on 29.11.2024 (**RUD-6**), during which he inter alia, stated that he obtained his 'F Card' in 2010 from Mumbai Customs House and currently operated at various ports and locations, including Nhava Sheva, Sahar Air Cargo, Mundra, Kandla, and others. The Head Office of his firm was in Mumbai, where all operations and documentation, such as Bills of Entry and Shipping Bills, were processed under his supervision. When asked about the import by M/s. Orca Petroleum, Shri Jhaveri stated that he filed the Bill of Entry based on documents and declarations provided by the importer. These documents included a chemical analysis/test report and other import-related paperwork, which declared the goods as Distillate Oil under CTH 27101961. On being shown the statement of Shri Shafiulla Khan, proprietor of



M/s. Orca Petroleum, dated 08.10.2024, Shri Jhaveri affirmed its content and signed it. He also acknowledged the test reports from the Central Excise and Customs Laboratory, Vadodara, which classified the imported goods as Light Oils & preparations under CTH 27101290. He accepted that the said item was restricted for import as per Policy Condition No. 5 of Chapter 27 of the ITC (HS) Import Policy. On the issue of mis-declaration, Shri Jhaveri stated that he was unaware of any discrepancies and relied entirely on the documents and information provided by the importer when filing the import paperwork.

## **5. Findings of the investigation:**

**5.1** The Directorate of Revenue Intelligence (DRI) gathered intelligence that M/s Orca Petroleum, had mis-declared the import goods in an import consignment, covered under Bill of Entry No. 5020512 dated 12.08.2024 filed at Mundra, was declared to contain "Distillate Oil," classified under HS Code 27101961. The intelligence indicated that the consignment, shipped from the UAE by M/s. Henkel International Lubricants FZE, Sharjah, UAE, was suspected to contain Diesel or Light Diesel Oil—products restricted for import under India's Foreign Trade Policy.

**5.2** After approval from the competent authority, the DRI initiated the investigation into the matter and put the consignment on hold on 14.08.2024 and conducted a detailed examination of the 15 containers on 19.08.2024 at M/s Landmark CFS, Adani Port and SEZ, Mundra. During the examination, representative samples were drawn from each container and sent to the Central Excise and Customs Laboratory (CECL) in Vadodara for testing. The test results, dated 23.09.2024, revealed that **"the sample meets the requirement of Light Oils & preparations as per Chapter 27, Note 4 of CTI"**. This said product was restricted for import into India, requiring compliance with Policy Condition No. 5 of Chapter 27 under the ITC (HS) Import Policy. Given the restricted nature of the goods and the apparent mis-declaration, the consignment was seized under Section 110 of the Customs Act, 1962, on 16.10.2024, as it was liable for confiscation under Section 111.

**5.3** The CECL test results revealed significant discrepancies between the declared and actual specifications of the imported goods. The declared product, "Distillate Oil," was described under HS Code 27101961, while the laboratory's findings confirmed the goods to be "Light Oils & Preparations" falling under HS Code 27101290. The reported properties, such as flash point and boiling point ranges, also deviated from the specifications declared by the importer.

**5.4** During further investigation, the DRI recorded statements of Shri Shafiulla Khan, Partner of M/s. Orca Petroleum, and Shri Gaurav M Jhaveri, F' card holder of Customs Broker firm M/s Gaurav M Jhaveri, who facilitated the import. Shri Shafiulla Khan's statement was recorded on 08.10.2024 and 23.12.2024. He stated that their firm involved in import of "Distillate Oil" only, this is the approx. 06 import consignments of Distillate Oil at Mundra Port. The supplier for this consignment was M/s. Henkel International Lubricants FZE, Sharjah, UAE, based in Dubai. Shri Shafiulla disclosed that he was personally placed the order and handled all communications with the supplier via telephone, with no email correspondence or written agreements. Supporting documents for the transaction, including an analysis report, invoice, packing list, were provided to substantiate the import. Shri Shafiulla also stated that the goods imported by their firm are not Light Naphtha, Heavy Naphtha or Full Range Naphtha. They have not ordered any type of Naphtha. He had also gone through the chapter heading and restrictions



and agreed that the imported goods fall under the CTH 27101290 which is restricted goods under Police Condition No. 5 of Chapter 27. He is also accepted that there is no such HS Code 27101961 and item as Distillate Oil in HSN List of Sharjah Customs available on website <https://sharjahcustoms.gov.ae/files/CustomsAffairs/En/HS%20Code.pdf>., however declaration has been made as Distillate Oil under CTH 27101961 in Bill of Entry No. 5020512 dated 12.08.2024 by their company only based on the documents which were provided by the supplier.

**5.5** Upon being presented with the CECL test results, Shri Shafiulla acknowledged the findings of the test results provided by the CECL, Vadodara. He suggested that the discrepancy in product specifications might have been due to an error on the supplier's part. He provided an analysis report from the supplier, which indicated different specifications than those found in the CECL test. Specifically, the supplier's report showed a flash point of 45.5 degrees Celsius, an initial boiling point (IBP) of 165 degrees Celsius, and a final boiling point (FBP) of 395 degrees Celsius, while the CECL test reported a different specification. Shri Shafiulla admitted that they had only relied on supplier's analysis report and no independent verification was done by them.

**5.6** The DRI also recorded the statement of Shri Gaurav Madhusudan Jhaveri, an 'F Card' holder and the customs broker for the consignment, on 29.11.2024. Shri Jhaveri explained that he had been operating as a customs broker since 2010, with his firm handling import and export operations at several major ports, including Mundra and Nhava Sheva. He stated that the Bill of Entry for this consignment was filed based on the documents and declarations provided by the importer, including a chemical analysis report and other import-related documents that declared the goods as "Distillate Oil" under HS Code 27101961.

**5.7** Shri Jhaveri acknowledged the findings of the CECL test and confirmed that the imported goods were classified as "Light Oil and Preparations" under HS Code 27101290. He admitted that the product was restricted for import under Policy Condition No. 5 of Chapter 27. However, Shri Jhaveri denied any knowledge of discrepancies in the declared and actual specifications of the goods, asserting that he had relied entirely on the information provided by the importer.

**5.8** From the investigation carried out by the DRI, it was revealed that the imported goods covered under Bill of Entry No. 5020512 dated 12.08.2024 filed at Mundra, were mis-declared by M/s. Orca Petroleum to circumvent import restrictions. Shri Shafiulla Khan, Partner of M/s Orca Petroleum, admitted to the findings but attributed the mis-declaration to the supplier's error. The customs broker, Shri Gaurav Madhusudhan Jhaveri, acknowledged the restricted nature of the goods but claimed he was unaware of any discrepancies and acted based on the importer's declarations.

## **6. Relevant Legal provisions:**

**6.1** Para 2.21 of the Foreign Trade Policy, 2023 reads as under:

### ***"2.21 State Trading Enterprises (STEs)***

*(a) State Trading Enterprises (STEs) are governmental and non-governmental enterprises, including marketing boards, which deal with goods for export and /or import. Any good, import or export of which is governed through exclusive or special privilege granted to State Trading Enterprise (STE), may be imported or exported by*



the concerned STE as per conditions specified in ITC (HS). The list of STEs notified by DGFT is in Appendix-2J.

(b) Such STE(s) shall make any such purchases or sales involving imports or exports solely in accordance with commercial considerations, including price, quality, availability, marketability, transportation and other conditions of purchase or sale in a non-discriminatory manner and shall afford enterprises of other countries adequate opportunity, in accordance with customary business practices, to compete for participation in such purchases or sales. (c) DGFT may, however, grant an authorisation to any other entity to import or export any of the goods notified for exclusive trading through STEs.”

**6.2** Further, Policy Condition of Chapter 27 of the Customs Tariff is reproduced as below:

“(5) Import allowed through IOC subject to Para 2.21 of the Foreign Trade Policy, except for companies who have been granted rights for marking of transportation fuels in terms of MoP&NG Resolution No. P-23015/1/2001-MKT dated 08.03.2022 for products excluding gasoline conforming to standard IS 2796 (ITC HS Code: 27101241) and Automotive Diesel Fuel, not containing Bio Diesel conforming to standard IS 1460 (ITC HS Code 27101944) which would be allowed to be imported by entities in terms of MoPNG Resolution No. P-12029(11)/2/2018-OMC-PNG dated 08.11.2019.

**6.3** Import of "Light Oils & preparations" under HS Code 27101290 into India is subject to Policy Condition No. 5 of Chapter 27 of Customs Tariff, which is produced above, therefore, the importer has violated the provisions of import of the said imported goods, since the importer is not an STE and neither possesses a license to import the same. Therefore, it appears that the importer has violated the provisions of the Customs Act, 1962, by importing restricted import goods, as discussed in foregoing paras, and rendered the said goods liable for confiscation under the Customs Act, 1962.

## **7. Valuation:-**

**7.1.** As per the facts discussed in foregoing paras, the consignment imported in this case vide aforesaid Bill of Entry No. 5020512 dated 12.08.2024 was filed by M/sOrca Petroleum was reported to be “Light oil and preparations” as per Test Reports of CECL, Vadodara which is falling under CTH 27101290 (other than Naphtha). The outcome of Test Reports of CECL, Vadodara give reason to believe that the value of the goods can be defined as per goods found in Test Reports i.e. “Light oil and preparations (other than Naphtha)”. As Bill of Entry was filed in the subject case so in order to arrive at a fair reasonable value of the subject goods in question within the framework of law and procedures as ordained in the Valuation Rules, it was also felt necessary to get the appropriate import prices wherein the “Light oil and preparations (other than Naphtha)” i.e. the subject goods were imported by the authorized companies.

**7.2.** In view of the above facts, since the goods have been mis-declared by the importer, the value declared by the importer in the corresponding Bill of Entry and invoices do not appear to be the true transaction value under the provisions of Section 14 of the Customs Act, 1962 read with the provisions of the Customs Valuation (Determination of Value of Imported Goods) Rules, 2007 and thus the same appear liable to be rejected in terms of Rule 12 of CVR, 2007.

**Rule 12 of the Customs Valuation (Determination of value of Imported goods) Rules, 2007**, is reproduced below:

“Rule 12. Rejection of declared value. -



(1) When the proper officer has reason to doubt the truth or accuracy of the value declared in relation to any imported goods, he may ask the importer of such goods to furnish further information including documents or other evidence and if, after receiving such further information, or in the absence of a response of such importer, the proper officer still has reasonable doubt about the truth or accuracy of the value so declared, it shall be deemed that the transaction value of such imported goods cannot be determined under the provisions of sub-rule (1) of rule 3.

(2) At the request of an importer, the proper officer, shall intimate the importer in writing the grounds for doubting the truth or accuracy of the value declared in relation to goods imported by such importer and provide a reasonable opportunity of being heard, before taking a final decision under sub-rule (1).

*Explanation. -*

(1) For the removal of doubts, it is hereby declared that: -

(i) This rule by itself does not provide a method for determination of value, it provides a mechanism and procedure for rejection of declared value in cases where there is reasonable doubt that the declared value does not represent the transaction value; where the declared value is rejected, the value shall be determined by proceeding sequentially in accordance with rules 4 to 9.

(ii) The declared value shall be accepted where the proper officer is satisfied about the truth and accuracy of the declared value after the said enquiry in consultation with the importers.

(iii) The proper officer shall have the powers to raise doubts on the truth or accuracy of the declared value based on certain reasons which may include -

(a) the significantly higher value at which identical or similar goods imported at or about the same time in comparable quantities in a comparable commercial transaction were assessed;

(b) the sale involves an abnormal discount or abnormal reduction from the ordinary competitive price;

(c) the sale involves special discounts limited to exclusive agents;

(d) the misdeclaration of goods in parameters such as description, quality, quantity, country of origin, year of manufacture or production;

(e) the non-declaration of parameters such as brand, grade, specifications that have relevance to value;

(f) the fraudulent or manipulated documents. ”

**7.3** The value is required to be re-determined by sequentially proceeding in terms of

**Rules 3 to 9 of CVR, 2007.** The relevant Rules of CVR, 2007 are reproduced hereunder: -

### **3. Determination of the method of valuation. -**

(1) Subject to rule 12, the value of imported goods shall be the transaction value adjusted in accordance with provisions of rule 10;



(2) Value of imported goods under sub-rule (1) shall be accepted:

Provided that -

(a) there are no restrictions as to the disposition or use of the goods by the buyer other than restrictions which -

(i) are imposed or required by law or by the public authorities in India; or

(ii) limit the geographical area in which the goods may be resold; or

(i) do not substantially affect the value of the goods;

(b) the sale or price is not subject to some condition or consideration for which a value cannot be determined in respect of the goods being valued;

(c) no part of the proceeds of any subsequent resale, disposal or use of the goods by the buyer will accrue directly or indirectly to the seller, unless an appropriate adjustment can be made in accordance with the provisions of rule 10 of these rules; and

(d) the buyer and seller are not related, or where the buyer and seller are related, that transaction value is acceptable for customs purposes under the provisions of sub-rule (3) below.

(3) (a) Where the buyer and seller are related, the transaction value shall be accepted provided that the examination of the circumstances of the sale of the imported goods indicate that the relationship did not influence the price.

(b) In a sale between related persons, the transaction value shall be accepted, whenever the importer demonstrates that the declared value of the goods being valued, closely approximates to one of the following values ascertained at or about the same time.

(i) the transaction value of identical goods, or of similar goods, in sales to unrelated buyers in India;

(ii) the deductive value for identical goods or similar goods;

(iii) the computed value for identical goods or similar goods:

Provided that in applying the values used for comparison, due account shall be taken of demonstrated difference in commercial levels, quantity levels, adjustments in accordance with the provisions of rule 10 and cost incurred by the seller in sales in which he and the buyer are not related;

(c) substitute values shall not be established under the provisions of clause (b) of this sub-rule.

(4) if the value cannot be determined under the provisions of sub-rule (1), the value shall be determined by proceeding sequentially through rule 4 to 9.

#### **Rule 4. Transaction value of identical goods. -**

(1)(a) Subject to the provisions of rule 3, the value of imported goods shall be the transaction value of identical goods sold for export to India and imported at or about the same time as the goods being valued;



*Provided that such transaction value shall not be the value of the goods provisionally assessed under section 18 of the Customs Act, 1962.*

*(b) In applying this rule, the transaction value of identical goods in a sale at the same commercial level and in substantially the same quantity as the goods being valued shall be used to determine the value of imported goods.*

*(c) Where no sale referred to in clause (b) of sub-rule (1), is found, the transaction value of identical goods sold at a different commercial level or in different quantities or both, adjusted to take account of the difference attributable to commercial level or to the quantity or both, shall be used, provided that such adjustments shall be made on the basis of demonstrated evidence which clearly establishes the reasonableness and accuracy of the adjustments, whether such adjustment leads to an increase or decrease in the value.*

*(2) Where the costs and charges referred to in sub-rule (2) of rule 10 of these rules are included in the transaction value of identical goods, an adjustment shall be made, if there are significant differences in such costs and charges between the goods being valued and the identical goods in question arising from differences in distances and means of transport.*

*(3) In applying this rule, if more than one transaction value of identical goods is found, the lowest such value shall be used to determine the value of imported goods.*

**Rule 5 (Transaction value of similar goods).-**

*(1) Subject to the provisions of rule 3, the value of imported goods shall be the transaction value of similar goods sold for export to India and imported at or about the same time as the goods being valued:*

*Provided that such transaction value shall not be the value of the goods provisionally assessed under section 18 of the Customs Act, 1962.*

*(2) The provisions of clauses (b) and (c) of sub-rule (1), sub-rule (2) and sub-rule (3), of rule 4 shall, mutatis mutandis, also apply in respect of similar goods.*

*Further, as per Rule 6 of the CVR, 2007, if the value cannot be determined under Rule 3, 4 & 5, then the value shall be determined under Rule 7 of CVR, 2007.*

**Rule 7 of the CVR, 2007, stipulates that:-**

*(1) Subject to the provisions of rule 3, if the goods being valued or identical or similar imported goods are sold in India, in the condition as imported at or about the time at which the declaration for determination of value is presented, the value of imported goods shall be based on the unit price at which the imported goods or identical or similar imported goods are sold in the greatest aggregate quantity to persons who are not related to the sellers in India, subject to the following deductions :-*

*(i) either the commission usually paid or agreed to be paid or the additions usually made for profits and general expenses in connection with sales in India of imported goods of the same class or kind;*

*(ii) the usual costs of transport and insurance and associated costs incurred within India;*

*(iii) the customs duties and other taxes payable in India by reason of importation or sale of the goods.*



(2) If neither the imported goods nor identical nor similar imported goods are sold at or about the same time of importation of the goods being valued, the value of imported goods shall, subject otherwise to the provisions of sub-rule (1), be based on the unit price at which the imported goods or identical or similar imported goods are sold in India, at the earliest date after importation but before the expiry of ninety days after such importation.

(3) (a) If neither the imported goods nor identical nor similar imported goods are sold in India in the condition as imported, then, the value shall be based on the unit price at which the imported goods, after further processing, are sold in the greatest aggregate quantity to persons who are not related to the seller in India.

(b) In such determination, due allowance shall be made for the value added by processing and the deductions provided for in items (i) to (iii) of sub-rule (1).

**Rule 8 of the CVR, 2007, stipulates that:-**

Subject to the provisions of rule 3, the value of imported goods shall be based on a computed value, which shall consist of the sum of:-

(a) the cost or value of materials and fabrication or other processing employed in producing the imported goods;

(b) an amount for profit and general expenses equal to that usually reflected in sales of goods of the same class or kind as the goods being valued which are made by producers in the country of exportation for export to India;

(c) the cost or value of all other expenses under sub-rule (2) of rule 10.

**Rule 9 of the CVR, 2007, stipulates that:-**

(1) Subject to the provisions of rule 3, where the value of imported goods cannot be determined under the provisions of any of the preceding rules, the value shall be determined using reasonable means consistent with the principles and general provisions of these rules and on the basis of data available in India;

Provided that the value so determined shall not exceed the price at which such or like goods are ordinarily sold or offered for sale for delivery at the time and place of importation in the course of international trade, when the seller or buyer has no interest in the business of other and price is the sole consideration for the sale or offer for sale.

(2) No value shall be determined under the provisions of this rule on the basis of –

(i) the selling price in India of the goods produced in India;

(ii) a system which provides for the acceptance for customs purposes of the highest of the two alternative values;

(iii) the price of the goods on the domestic market of the country of exportation; (iv) the cost of production other than computed values which have been determined for identical or similar goods in accordance with the provisions of rule 8;

(v) the price of the goods for the export to a country other than India;

(vi) minimum customs values; or

(vii) arbitrary or fictitious values.

**7.4.** As per the facts discussed in foregoing paras, the consignment imported in this case vide aforesaid Bill of Entry was reported to be **“Light Oil and Preparations (other than Naphtha)”** as per Test Reports of CECL, Vadodara. The outcome of Test Reports of CECL, Vadodara and end use of the subject goods gathered during investigation give reason to believe that the value of the goods reflected in the invoice provided by the importer with Customs authorities at Mundra port is not reflecting the actual value of the subject goods i.e. “Light Oil and Preparations (other than Naphtha)” since the goods is mis-declared in the BE.



In view of these facts, the declared value of **Rs. 1,19,34,634/-** ,cannot be considered true and accurate "transaction value" for the purposes of section 14 of Customs Act, 1962 and is liable to be rejected in terms of Rule 12 of the CVR, 2007, as above.

**7.5** Since as per import data, import price of identical goods is not available, for the said period, hence, value of the said goods cannot be re-determined using the Rule 4 of the CVR, 2007. Therefore, to arrive at a fair and reasonable value for the subject import goods, found as **Light Oil and Preparations (other than Naphtha)**, having CTH 27101290, **needs** to be re-determined on the basis of import of similar goods covered under CTH 27101290, in terms of Rule 5 (Transaction value of similar goods), of the CVR, 2007.

**7.6.** Accordingly, for valuation purpose, in order to arrive at a fair and reasonable value of the subject goods in question within the framework of law and procedures as ordained in the Valuation Rules, contemporary imports data for imports of 'Restricted Items' imported under Special Import License at various ports of India, **covered under CTH 27101290 was referred**, and it was noticed that the average import price of such goods, covered under CTH 27101290 was found to be around USD 1405 per MT (**Rs. 1,18,863/- as per exchange rate of Rs. 84.6 Per USD**), during the said period, while the declared value of the import consignment was around Rs. 0.5USD per Kg. (approx. Rs.42.30 per Kg.). Accordingly, the re-determined value of the consignment as per the said import data, of "**Light Oil and Preparations (other than Naphtha)**", having total quantity of **282.34 MTs (Total 282340 Kgs)** is **Rs. 3,35,59,779/-**, in terms of provisions of Rule 5 (Transaction value of similar goods), of the CVR, 2007.

## **8. Confiscation of the goods:**

**8.1** M/s Orca Petroleum imported a consignment, covered under Bill of Entry No. 5020512 dated 12.08.2024 filed at Mundra, which was declared to contain "Distillate Oil," classified under HS Code 27101961. On testing of the samples drawn from the said consignment, the import goods were found to be "**Light Oils & preparations (other than Naphtha)**", falling under HS Code 27101290.

**8.2** Further, import of "**Light Oils & preparations (other than Naphtha)**", is restricted into India, and the same can only be imported subject to Policy Condition No. 5 of Chapter 27 of Customs Tariff, which stipulates that only State Trading Enterprises are allowed to import the same. Therefore, it appeared that said importer has imported restricted goods i.e. "**Light Oils & preparations (other than Naphtha)**" by mis-declaring the same as "distillate oil" under the said consignment, Therefore the said goods having appropriate of **Rs. 3,35,59,779/-**, of the subject goods was for total imported qty. of **282340 KGs** appear to be liable for confiscation under Section 111(d), 111 (f) ,111(l) and 111(m) of the Customs Act, 1962 and the same were placed under seizure under Section 110 of the Customs Act, 1962, vide Seizure Memo dated 16.10.2024.

## **Role played by various firms/persons:**

**9. M/s Orca Petroleum, (IEC: DTQPK5093H), having address at Flat No. 62, Road/Street-1<sup>st</sup> Cross Road, Nr. Shri Mahaveer Medical & General Store, Ganga Nagar, Bengaluru, Karnataka[Importer]: (Proprietor -Shri Shafiulla Khan)**



**9.1** M/s Orca Petroleum imported a consignment, covered under Bill of Entry No. 5020512 dated 12.08.2024 filed at Mundra, by mis-declaring the import goods as "Distillate Oil," classified under HS Code 27101961. During investigation by the DRI, it was found that the actual goods covered under the said consignments was "**Light Oil and Preparations (other than Naphtha)**", which was restricted for import into India and only allowed to be imported through STEs, subject to Policy Condition No. 5 of the Customs Tariff.

**9.2** During the investigation, Shri Shafiulla Khan Proprietor of the M/s Orca Petroleum, accepted the mis-classification and agreed to the test reports, however, submitted that it was the approx. 06<sup>th</sup> import consignment from UAE, and they had placed order for Distillate Oil only. He produced documents received from the shipper and claimed that the mis-classification and mis-declaration appeared due to some error on the part of the shipper. He stated that the supplier might have shipped goods which did not conform to the specifications as given in the documents shared by the shipper with him.

**9.3** Therefore, it appears that **M/s. Orca Petroleum** by filing incorrect declarations and failing to ensure proper classification of the goods, violated several provisions concerning the importation of such restricted goods, and classification of the same, thus rendering the said goods liable for confiscation under the provisions of the Section 111 of the Customs Act, 1962. Therefore, M/s Orca Petroleum have made themselves liable for penalty under Section 112(a), and 112(b) of the Customs Act, 1962.

**9.4** Furthermore, M/s Orca Petroleum have deliberately filed false and incorrect documents with the Customs Authorities, suppressing the actual nature of the goods, in order to import restricted goods, M/s Orca Petroleum are also liable for penalty under Section 114AA of the Customs Act, 1962.

**10.** Now therefore, M/s **Orca Petroleum**, (IEC: DTQPK5093H), having address at Flat No. 62, Road/Street-1st Cross Road, Nr. Shri Mahaveer Medical & General Store, Ganga Nagar, Bengaluru, Karnataka, are hereby called upon to show cause to the **Additional Commissioner of Customs, Customs House, Port User Building, Mundra Port, Mundra** as to why:

- (i) The classification of goods covered under Bill of Entry No. 5020512 dated 12.08.2024 filed at Mundra Port, declared as Distillate Oil, under CTH 27101961 and assessable value Rs. 1,19,34,634/-, should not be rejected and the same should not be re-classified as "Light Oil and Preparations" and re-determined assessable value **Rs. 3,35,59,779/-**.
- (ii) The goods declared as Distillate Oil, under the Bill of Entry No. 5020512 dated 12.08.2024 filed at Mundra Port, having re-assessable value of **Rs. 3,35,59,779/-**, should not be held liable for confiscation under Section 111(d), 111(f), 111(l) and 111(m) of the Customs Act, 1962.
- (iii) Penalty should not be imposed upon them under Sections 112(a), 112(b), and 114AA of the Customs Act, 1962, separately.

**11.** All the Noticee/s are further required to produce at the time of adjudication all evidences upon which they intend to rely in support of their defence. They are further advised to indicate in their written submission as to whether they desire to be heard in person before the case is adjudicated. If no mention is made about this in their written submissions, it would be presumed that they do not desire to

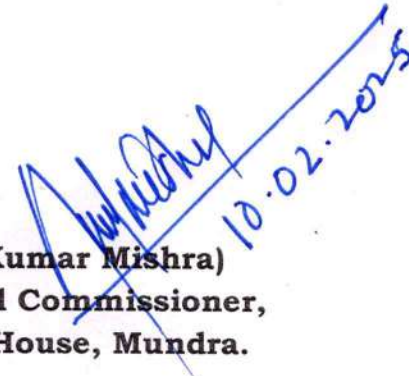


be heard in person. If no cause is shown by them against the action proposed to be taken within 30 days from the date of receipt of this Notice or if they do not appear before the adjudicating authority, when the case is posted for hearing, the case is liable to be decided Ex-Parte on the basis of material evidence available on record.

**12.** The documents/articles as listed at Annexure-R are relied upon and are enclosed with this show cause notice, and where not enclosed with this Notice will be made available for inspection on demand made in writing.

**13.** The department reserves its right to issue addendum/ corrigendum to show cause notice or to make any additions, deletions amendments or supplements to this notice, if any, at a later stage. The department/DRI also reserves its right to issue separate Notice/s for other Noticees, offences etc related to the above case, if warranted.

Encl: – Annexure-R

  
(Amit Kumar Mishra)  
Additional Commissioner,  
Custom House, Mundra.

F. No. GEN/ADJ/ADC/429/2025-Adjn

DIN: 20250271MO000031893C

To,

1. **M/s Orca Petroleum, (IEC: DTQPK5093H),**  
Flat No. 62, Road/Street-1st Cross Road,  
Nr. Shri Mahaveer Medical & General Store,  
Ganga Nagar, Bengaluru,  
Karnataka. (E-mail- [info@orcapetroleum.in](mailto:info@orcapetroleum.in)).

**Copy to:**

1. The Deputy Director, Directorate of Revenue Intelligence, Ghandidham.
2. The Assistant Commissioner, EDI, Customs Mundra (For uploading on Mundra Customs Website)
3. Guard File.