



प्रधान आयुक्त का कार्यालय, सीमा शुल्क, अहमदाबाद
 “सीमा शुल्क भवन,” पहली मंजिल, पुराने हाई कोर्ट के सामने, नवरंगपुरा,
 अहमदाबाद 009 380 – .

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PREAMBLE

A	फ़ाइल संख्या / File No.	:	CUS/EPF/OTH/77/2025-EPC-BRH-CUS-COMMRTE-AHMEDABAD
B	कारण बताओ नोटिस संख्या-तारीख / Show Cause Notice No. and Date	:	CUS/EPF/OTH/77/2025-EPC-BRH-CUS-COMMRTE-AHMEDABAD dated 13.08.2025
C	मूल आदेश संख्या / Order-In-Original No.	:	01/ADC/SRV/EPC-04 Bharuch/2025-26
D	आदेश तिथि / Date of Order-In-Original	:	17.02.2026
E	जारी करने की तारीख / Date of Issue	:	17.02.2026
F	द्वारा पारित / Passed By	:	SHREE RAM VISHNOI, Additional Commissioner, Customs, Ahmedabad.
G	आयातक का नाम और पता / Name and Address of Noticee / Noticee	:	M/s. P.I. Industries Ltd., Plot No. 29/2, Sterling SEZ and Infrastructure Limited, At. & P.O. Sarod, Taluka- Jambusar, District- Bharuch, Gujarat- 392180
(1)	यह प्रति उन व्यक्तियों के उपयोग के लिए निःशुल्क प्रदान की जाती है जिन्हें यह जारी की गयी है।		
(2)	कोई भी व्यक्ति इस आदेश से स्वयं को असंतुष्ट पाता है तो वह इस आदेश के विरुद्ध अपील इस आदेश की प्राप्ति की तारीख के 60 दिनों के भीतर आयुक्त कार्यालय, सीमा शुल्क)अपील(, चौथी मंजिल, हुडको भवन, ईश्वर भुवन मार्ग, नवरंगपुरा, अहमदाबाद में कर सकता है।		
(3)	अपील के साथ केवल पांच 5.00)) रुपये का न्यायालय शुल्क टिकिट लगा होना चाहिए और इसके साथ होना चाहिए:		
(i)	अपील की एक प्रति और;		
(ii)	इस प्रति या इस आदेश की कोई प्रति के साथ केवल पांच 5.00)) रुपये का न्यायालय शुल्क टिकिट लगा होना चाहिए।		
(4)	इस आदेश के विरुद्ध अपील करने इच्छुक व्यक्ति को 7.5 % (अधिकतम 10 करोड़) शुल्क अदा करना होगा जहां शुल्क या ड्यूटी और जुर्माना विवाद में है या जुर्माना जहां इस तरह की दंड विवाद में है और अपील के साथ इस तरह के भुगतान का प्रमाण पेश करने में असफल रहने पर सीमा शुल्क अधिनियम, 1962 की धारा 129 के प्रावधानों का अनुपालन नहीं करने के लिए अपील को खारिज कर दिया जायेगा।		

Adjudication arising out of SCN No. CUS/EPF/OTH/77/2025-EPC-BRH-CUS-

COMMRTE-AHMEDABAD dated 13.08.2025**BRIEF FACTS OF THE CASE:**

M/s. P.I. Industries Ltd., Plot No. 29/2, Sterling SEZ and Infrastructure Limited, At. & P.O. Sarod, Taluka-Jambusar, District-Bharuch, Gujarat (*hereinafter referred to as "Noticee" or "M/s. P.I. Industries Limited" for the sake of brevity*) are engaged in the manufacture of otherwise taxable goods viz. PYROXASULFONE TECHNICAL, AE 747 Ether, PCM, ORST, etc. its Formulation under Chapter heading 29 & 38 of ITC (HS). The Noticee has been granted permission to set up unit and carry on commercial production, in Sterling SEZ *vide* LOA No. SSEZ/DC/UA/012/2016-17, dated 11.04.2017, as amended & extended from time to time in terms of Rule 19(4) of SEZ Rules, 2006. The Noticee have executed Bond-Cum-Legal Undertaking in Form H, with regard to its obligations regarding proper utilization and accountable of goods, including capital goods, spares, raw materials, components and consumables(including fuels, imported or procured duty free) and regarding achievement of positive net foreign exchange earning in terms of provisions of Rule 22(i) of the SEZ Rules, 2006. They are also having GST Registration No. 24AABCP2183M2ZA.

2. INCIDENT OF THEFT REPORTED ON 23/11/2023:

2 . 1 Whereas *vide* email dated 23rd November, 2023 at 5.48 PM (**Annexure-A**), sent by Shri Riken Shah, Team Member, M/s. P.I. Industries Ltd. intimated about the theft of their export goods cleared from their SEZ unit bearing Plot No.29/2 on its way to Hazira port.

2.2 The details of goods of export stolen *enroute* to Hazira Port as per the above mail dated 23.11.2023 is as under:

SR.	INVOICE NO.	INVOICE DT.	SHIPPING BILL NO. & Date	CONTAINER NO.	MATERIAL DESCRIPTION	Quantity of export goods(In kgs)
1	73530606 / 73530607	16-08-2023	4000226/ 16-08-2023	MEDU4740137	AE 747 ETHER	19040
2	73530609	19-08-2023	4000228/ 19-08-2023	TRHU8651369	Pyroxasulfone Technical	24000
3	73530615	28-08-2023	4000241/ 28-08-2023	MSDU5605545	Pyroxasulfone Technical	24000

2.3 In this regard, an FIR was lodged by Shri Girishbhai Ratanlal Jagtiani, Cluster Commercial Lead of M/s. P.I. Industries Limited on 18.10.2023 (After lapse of nearly 2 months from the date of dispatch of export goods) & 2nd FIR on 31/10/2023 with the Police Department. The materials were recovered by the police in a swift action, and the goods were kept at Footprint warehouse near Kosamba, Surat, under the custody of police. The release order was issued by the Mangrol Chief Judicial Magistrate court on 7/11/2023 and the goods were released by the Registrar vide order/letter dated 24/11/2023 (**copy of order by CJM, Kosamba & release order by the Registrar- Mangrol attached as Annex-H**).

2.4 M/s. P.I. Industries Limited vide letter dated 04/12/2023 requested the Authorised officer, Sterling SEZ to allow to bring back the recovered theft export goods i.e; Pyroxasulfone Technical & AE 747 Ether, to their SEZ unit for the purpose of examination which was allowed with the approval of the Development Commissioner, Sterling SEZ .

3. **Panchnama Dated 4th December, 2023**

Whereas, it appears that the Preventive officer carried out panchnama proceedings on 04/12/2023 (**Annexure-B**) in presence of two independent panchas Shri Bharat Patel (Age: 52 yrs.) & Shri Shahbaz Munshi Hussain Tekari (Age: 32 yrs.). Shri Girish Jagtiani, Cluster Commercial Lead of M/s. P.I. Industries Limited and Shri Yogendra Kumar (AO) were also present during the panchnama proceedings. As per the Panchnama dated 04/12/2023, 03(three) samples of the product "**Pyroxasulfone Technical**" were drawn randomly out of total of 969 plastic bags in the 08 closed container trucks. As per the panchnama drawn on 04.12.2023 the total quantity of goods received back in the 08 closed container trucks after weighment was found to be for the quantity **49535 kgs**. As per the panchnama drawn on 04.12.2023 the total quantity of goods received back in the 08 closed container trucks after weighment was found to be for the quantity **49535 kgs**. Since, it was too dark and risky to draw samples

of hazardous chemicals further, the proceedings were stopped and examination of other remaining 03 vehicles/closed container trucks were postponed for the next day. The panchnama proceedings started at 12.00 hrs and ended at 18.15 hrs of 04/12/2023.

4. **Panchnama Dated 5th December, 2023**

4 . 1 Whereas, it appears that the Preventive officer carried out panchnama proceedings on 05/12/2023 (**Annexure-C**) in presence of two independent panchas Shri Bharat Patel (Age: 52 yrs.) & Shri Shahbaz Munshi Hussain Tekari (Age: 32 yrs.). Shri Girish Jagtiani, Cluster Commercial Lead of M/s. P.I. Industries Limited and Shri Yogendra Kumar (AO) were also present during the panchnama proceedings. In the said Panchnama dated 05/12/2023, 01(one) sample of the product "**AE 747 Ether**" were drawn randomly out of total of 382 plastic bags in the 03 closed container trucks. As per the panchnama drawn on 05.12.2023 the total quantity of goods received back in the remaining 03(three) closed container trucks after weighment was found to be for the quantity **19520 kgs**. The panchnama proceedings started at 10.30 hrs and ended at 13.30 hrs of 5/12/2023.

4.2 Further, Shri Girish Jagtiani, Cluster Commercial Lead of M/s. P.I. Industries Limited informed that sampling of the products has to be done to ascertain the actual nomenclature and quality of the recovered theft export goods.

4.3 Whereas, the test samples were drawn and sent to various laboratories on 09/01/2024 & 24/01/2024 *i.e;* to the Chief Examiner New Customs house laboratory, Ballard Estate Mumbai, Central Revenues Control laboratory, New Delhi, JNCH Laboratory, Raigad, Maharashtra, Customs House Laboratory Kandla and Central Excise & Customs laboratory, Vadodara. **However, all the laboratories have reported of not having the testing facilities (Annexure-D). Accordingly,** as there was no other option for testing of the said materials, the **in house** testing facility available at M/s. P.I. Industries Limited with regards to the reprocessing & examination of the theft exported goods has been utilised.

4.4 Further, the reprocessing of the theft goods was done as per the quality standard maintained by the unit in export of their goods i.e. Pyroxasulfone Technical (Octopussy) & AE 747 Ether. M/s. P.I. Industries Limited *vide* mail dated Jan-3 2024, informed that, out of the entire quantity of **48000 kgs** of Pyroxasulfone Technical(Octopussy) reprocessed, they were able to obtain 45,601kgs of Pyroxasulfone Technical (Octopussy) which had passed the quality control and a quantity of **2399 kgs of fresh production** was added for dispatch of FCL lot of 48000 kgs. Similarly, after re-processing of "**AE747 Ether**" the quantity lost/ not passed the quality control in the product "**AE 747 Ether**" comes to **4988 kgs.**, out of the 19040 kgs of theft goods which was also replenished with the same quantity.

4.5 Whereas, it appears that the Authorised Officer, Sterling SEZ, requested M/s. P.I. Industries Limited *vide* letter dated 08.01.2024 to submit the details of quantity of raw materials imported/indigenously used in the goods having recovered short after reprocessing. Further, *vide* mail dated 30.12.2024 the details of inputs procured indigenously used in the theft exported goods on which **draw back** was claimed was also called for by Authorised officer. **Also, details of insurance claimed from the insurance companies were called for from M/s. P.I. Industries Limited vide this office mail dated 6/12/2024.**

4.6 In response to the email dated 30.12.2024 of AO, Sterling SEZ, M/s. P.I. Industries Limited, *vide* email dated 05/03/2025 submitted a revised statement showing inputs used in the theft exported goods which did not meet their quality standards i.e. Pyroxasulfone Technical (Octopussy) - with 2315 kgs. & AE 747 Ether- with 4988 kgs. Further, details on which DBK has been claimed or otherwise was also provided (**Annexure-E & F**). Further, details of insurance claimed and settled has also been furnished (**Annexure-G**).

4.7 Whereas, on verification of the statement furnished, it is found that DBK has been claimed on the inputs used in manufacture of the theft exported goods to the tune of **Rs. 2,916.00** in respect of Pyroxasulfone Technical (Octopussy) and no drawback was claimed in respect of "**AE 747 Ether**". Further, also the statement showing quantity & amount settled by the Insurance company against the claim

filed by M/s. P.I. Industries Ltd., has been furnished.

4.8 Whereas, on going through the insurance certificate and the statement showing the insurance claim filed, it appears that the Noticee has claimed insurance for the same quantity of goods found short i.e. **2315 kgs of fresh production** of Pyroxasulfone Technical (Octopussy) & **4988 kgs** of " **AE 747 Ether**".

4.9 The details of the duty forgone on imported/ indigenous goods used in making of theft export goods i.e. 2315 kgs. of Pyroxasulfone Technical (Octopussy) & 4988 kgs of AE 747 Ether, is shown in the **Annex-E & F** attached herewith.

(Amount in actual Rs.)

Value of Goods i.e. Pyroxasulfone Technical (Octopussy)	Duty foregone details				Remarks
	Basic Customs Duty	SWS	IGST/ Excise Duty	Total duty foregone	
6789956	309497.43	30949.74	1282875.27	1623322	As detailed in Annex 'E'

Value of Goods i.e. AE 747 Ether	Duty foregone details				Remarks
	Basic Customs Duty	SWS	IGST/ Excise Duty	Total duty foregone	
1,39,46,609	134401.34	13440.13	2536944.54	2684786	As detailed in Annex 'F'

4.10 Therefore, it appears that the total amount of duty forgone involved in the raw materials (imported/indigenous) used in the theft exported goods amounting to **Rs. 43,08,108/- (16,23322 + 26,84,786)**.

4.11 Further, the Drawback claimed on the stolen export goods amounting to **Rs. 2916.00** which is also recoverable as per Rule 25 of SEZ Rules, 2006.

5. Whereas, the relevant provisions of SEZ Act, 2005/SEZ Rules, 2006, wherein exemptions of customs duties/taxes are extended to a SEZ unit on import/procurement of all type of the goods which includes input, capital goods, semi-finished goods consumables etc. for use in the authorized operation, are as under:-

A Section 7 of SEZ Act, 2005

7. Any goods or services exported out of, or imported into, or procured from the Domestic Tariff Area by, -

- (i) a Unit in a Special Economic Zone; or*
- (ii) a Developer;*

shall, subject to such terms, conditions and limitations, as may be prescribed, be exempt from the payment of taxes, duties or cess under all enactments specified in the First Schedule.

B Section-26 of SEZ Act, 2005

"26. Exemptions, drawbacks and concessions to every Developer and entrepreneur

1. Subject to the provisions of sub-section (2), every Developer and the entrepreneur shall be entitled to the following exemptions, drawbacks and concessions, namely:-

a. exemption from any duty of customs, under the Customs Act, 1962 (52 of 1962) or the Customs Tariff Act, 1975 (51 of 1975) or any other law for the time being in force, on goods imported into, or services provided in, a Special Economic Zone or a Unit, to carry on the authorised operations by the Developer or entrepreneur;

b. exemption from any duty of customs, under the Customs Act, 1962 or the Customs Tariff Act, 1975 or any other law for the time being in force, on goods exported from, or services provided, from a Special Economic Zone or from a Unit, to any place outside India;

c. exemption from any duty of excise, under the Central Excise Act, 1944 (1 of 1944) or the Central Excise Tariff Act, 1985 (5 of 1986) or any other law for the time being in force, on goods brought from Domestic Tariff Area to a Special Economic Zone or Unit, to carry on the authorised operations by the Developer or entrepreneur;

...."

2. *The Central Government may prescribe, the manner in which, and, the terms and conditions subject to which, the exemptions, concessions, draw back or other benefits shall be granted to the Developer or entrepreneur under sub-section (1).*

C Rule 22 of SEZ Rules, 2006

22. Terms and conditions for availing exemptions, drawbacks and concessions to every Developer and entrepreneur for authorized operations

(1) Grant of exemption, drawbacks and concession to the entrepreneur or Developer shall be subject to the following conditions, namely:-

(i) the Unit shall execute a Bond-cum-Legal Undertaking in Form H, with regard to its obligations regarding proper utilization and accountal of goods, including capital goods, spares, raw materials, components and consumables including fuels, imported or procured duty free and regarding achievement of positive net foreign exchange earning;

(ii)..;

(iii)...

Provided that the Bond-cum-Legal Undertaking executed by the Unit or the Developer including Co-developer shall cover one or more of the following activities, namely:-

(a) the movement of goods between port of import or export and the Special Economic Zone;

(b) the authorized operations, as applicable to Unit or Developer;

(c) temporary removal of goods or goods manufactured in Unit for the purposes of repairs or testing or calibration or display or processing or sub-contracting of production process or production or other temporary removals into Domestic Tariff Area without payment of duty;

(d) re-import of exported goods.

(iv) The procedure for execution of Bond-cum-Legal Undertaking shall be as under:-

(a) ..; to.. (g) ...

(2) Every Unit and Developer shall maintain proper accounts, financial yearwise, and such accounts which should clearly indicate in value terms the goods imported or procured from Domestic Tariff Area, consumption or utilization of goods, production of goods, including by-products, waste or scrap or remnants, disposal of goods manufactured or produced, by

way of exports, sales or supplies in the domestic tariff area or transfer to Special Economic Zone or Export Oriented Unit or Electronic Hardware Technology Park or Software Technology Park Units or Bio-technology Park Unit, as the case may be, and balance in stock:

D Rule 25 of SEZ Rules, 2006

Where an entrepreneur or Developer does not utilize the goods or services on which exemptions, drawbacks, cess and concessions have been availed for the authorized operations or unable to duly account for the same, the entrepreneur or the Developer, as the case may be, shall refund an amount equal to the benefits of exemptions, drawback, cess and concessions availed without prejudice to any other action under the relevant provisions of the Customs Act, 1962, the Customs Tariff Act, 1975, the Central Excise Act, 1944, the Central Excise Tariff Act, 1985, the Central Sales Tax Act, 1956, the Foreign Trade (Development and Regulation) Act, 1992 and the Finance Act, 1994 (in respect of service tax) and the enactments specified in the First Schedule to the Act, as the case may be: Provided that if there is a failure to achieve positive net foreign exchange earning, by a Unit, such entrepreneur shall be liable for penal action under the provisions of Foreign Trade (Development and Regulation) Act, 1992 and the rules made there under.

E Rule 27 of SEZ Rules, 2006

27. Import and Procurement-

(1) A Unit or Developer may import or procure from the Domestic Tariff Area without payment of duty, taxes or cess or procure from Domestic Tariff Area after availing export entitlements or procure from other Units in the same or other Special Economic Zone or from Export Oriented Unit or Software Technology Park unit or Electronic Hardware Technology Park unit or Bio-technology Park unit, all types of goods, including capital goods (new or second hand), raw materials, semi-finished goods, (including semi-finished Jewellery) component, consumables, spares goods and materials for making capital goods required for authorized operations except prohibited items under the Import Trade Control (Harmonized System) Classifications of Export and Import Items:

F Rule 34 of SEZ Rules, 2006*"34. Utilization of goods-*

The goods admitted into a Special Economic Zone shall be used by the Unit or the Developer only for carrying out the authorized operations but if the goods admitted are utilized for purposes other than for the authorized operations or if the Unit or Developer fails to account for the goods as provided under these rules, duty shall be chargeable on such goods as if these goods have been cleared for home consumption

Provided that in case a Unit is unable to utilize the goods imported or procured from Domestic Tariff Area, it may export the goods or sell the same to other Unit or to an Export Oriented Unit or Electronic Hardware Technology Park Unit or Software Technology Park Unit or Bio-technology Park Unit, without payment of duty, or dispose off the same in the Domestic Tariff Area on payment of applicable duties on the basis of an import licence submitted by the Domestic Tariff Area buyer, wherever applicable".

G Rule 47 of SEZ Rules, 2006*"47. Sales in Domestic Tariff Area-*

(1) A Unit may sell goods and services including rejects or wastes or scraps or remnants or broken diamonds or by-products arising during the manufacturing process or in connection therewith, in the Domestic Tariff Area on payment of customs duties under section 30, subject to the following conditions, namely:-

(a) Domestic Tariff Area sale under sub-rule (1), of goods manufactured by a Unit shall be on submission of import licence, as applicable to the import of similar goods into India, under the provisions of the Foreign Trade Policy:

.....

.....

(4) Valuation and assessment of the goods cleared into Domestic Tariff Area shall be made in accordance with Customs Act and rules made thereunder."

6.1 In light of the above provisions of SEZ Act and Rules framed

thereunder, the exemptions from the payment of taxes, duties or cess under all enactments specified in the First Schedule are applicable/available to any/all goods or services supplied or provided to the SEZ developer or SEZ unit only if such goods/services are meant to carry on/are utilized in the authorized operations by the developer or unit in SEZ subject to such terms, conditions and limitations, as may be prescribed, which in the instant case doesn't appear to have occurred as the export goods got stolen and after having been realised, the goods were taken for re-processing where some quantity of the export goods under reference i.e. Pyroxasulfone Technical (Octopussy) & AE 747 Ether failed to meet their quality standard and had to be replenished with fresh goods.

6.2 Further, it appears that the Noticee has also procured duty free goods indigenously by availing the benefit of tax exemptions in terms of Rule 34 of SEZ Rules, 2006, but as in this case, if the goods procured for their SEZ unit are utilized for purposes other than for the authorized operations or if the Unit or Developer fails to account for the goods as provided under Rule 22 of SEZ Rules, 2006, the duty shall be chargeable on such goods as if these goods have been cleared for home consumption. Further, as per Rule 47 of SEZ Rules, 2006, Valuation and assessment of the goods cleared into Domestic Tariff Area shall be made in accordance with Customs Act and rules made there under.

6.3 Whereas, it appears that in the instant case, the Noticee was legally bound to follow the provisions of Rule 22, 25, 27 & 34 of SEZ Rules, 2006 in respect of the goods procured duty free under the provisions of Section 26 of SEZ Act, 2005 used in the manufacture of their export goods i.e. Pyroxasulfone Technical (Octopussy) & AE 747 Ether. Whereas, the Noticee had failed to utilize the aforesaid goods in their unit for their authorized operation and to follow the prescribed procedure as provided in Rule 22(2) and Rule 34 of the SEZ Rules, 2006, the Noticee becomes liable to pay duty on the **inputs contained** in the theft export goods. It therefore appears that the Noticee is liable to pay an amount equal to duty foregone on the aforesaid inputs contained/used in the exported goods stolen, is arrived to **Rs. 43,08,108/- (16,23322 + 26,84,786)** along with interest at a rate as specified in the Notification of the Government of India in the Ministry of Finance (Department of Revenue) issued under Section 28AA of the

said the Customs Act, on the said duty from the date of duty free import/procurement of the said goods, till the date of payment of such duty.

6.4 It also appears that the Noticee has submitted details of value of imported/indigenous goods used in the making of theft export goods i.e; Pyroxasulfone Technical (Octopussy) & AE 747 Ether, which did not meet the quality standards after re-processing and re-examination which comes to **Rs. 2,07,36,565/-** in compliance of the provision of Section-28A(1) of the Customs Act, 1962.

6.5 It also appears that the goods imported / indigenously procured duty free valued at **Rs. 6789956/-** & **Rs.1,39,46,609/-** respectively involving customs duty of **Rs. 43,08,108/-** was used in the theft exported goods which did not meet the quality standards after reprocessing and re-examination i.e. Pyroxasulfone Technical (Octopussy) - 2315 kgs & AE 747 Ether - 4988 kgs. Hence, the Noticee is liable to pay the duty amount of **Rs. 43,08,108/-** [as detailed above in Para 5] equal to duty leviable on such goods under Section 26 of the SEZ Act, 2005 and Section 28(3) of the Customs Act, 1962, read with Rule 22, Rule 34 and Rule 47 of the SEZ Rules, 2006. It also appears that the Noticee is also liable to pay interest at a rate as specified in the Notification of the Government of India, in the Ministry of Finance (Department of Revenue) under Section 28AA of the Customs Act, 1962 on the said duty from the date of duty free import of the said goods till the date of payment of such duty.

6.6 It appears that being an SEZ unit, the Noticee was under certain statutory obligations laid down under various Notifications/Circulars and LUT etc. which was required to be fulfilled by them. Since, the noticee, failed to fulfill such statutory obligations and violated the foregoing provision, they rendered themselves liable to payment of custom duty on such goods along with interest and consequential penalty under the relevant sections, of the Act. Thus, under the circumstances the act of failing to pay such dues, interest and Penalty by them, invoking of the executed Bonds/LUT may also be liable.

7. On plain reading of foregoing paras, it appears that the Noticee

has contravened the following provisions:

- a. Conditions of the Bond-Cum Legal Undertaking in Form H executed by them from time to time in as much as they failed to observe all the provisions of Customs Act, 1962, IGST taxes/Central Excise Act, 1944 and the Rules and Regulations made there under in respect of procurement of goods.
- b. Section 7 and Section 26 of SEZ Act, 2005 in as much as the said noticee did not comply with the prescribed terms conditions and limitation of the act which allowed them to avail exemption from payment of duties and/or cess.
- c. Provisions contained in Rule 22, 25, 27, 34 & 47 of SEZ Rules, 2006, provides for exemption from duty on goods imported into, or services provided in, a Special Economic Zone or a Unit, to carry on the authorised operations by the Developer or entrepreneur, but herein, the Noticee has failed to utilize the goods imported / indigenous to carry on the authorized operations and had to replenish the recovered / stolen export goods which did not meet the quality standards by adding additional 2315kgs. of Pyroxasulfone Technical(Octopussy) & 4988kgs.of AE 747 Ether, with their fresh stock. Hence, the inputs (imported/indigenous) goods have been utilised twice in making the exportgoods i.e. initially at the time of export of Pyroxasulfone Technical (Octopussy) & AE 747 Ether and later the stolen goods having found not meeting the required standard for the quantity mentioned in Para- 6.4 above, was replenished again with fresh export goods and later re-exported.

8 . The Noticee appears to have contravened the above provisions and for all such act of omission/commission on their part, constituted an offence punishable of a nature as described in Section 112 of the Customs Act, 1962, thereby rendered themselves liable for penalty under Section 112 of the Customs Act, 1962 and Section 114 A of the Customs Act, 1962.

9 . The Noticee vide letter mail dated 06/03/2025, was given an opportunity for Pre-consultation hearing in conformation with Section 28(1) (a) of the Customs Act, 1962, read with Pre-Notice Regulation 3 of the Pre-consultation Regulations 2018. Shri Riken Shah, authorized signatory of the noticee M/s. P.I. Industries Limited, vide email dated

10/3/2025 informed that they will be appearing for a pre-consultation on 11.3.2025 at 15.30 hrs. Shri Pratik Mehta & Shri Riken Shah, authorized signatory of the Noticee appeared on behalf of M/s. P.I. Industries Limited, and submitted that the case may be decided on the facts and merits of the case. They had nothing further to add.

10. Therefore, a Show Cause Notice No. CUS/EPF/OTH/77/2025-EPC-BRH-CUS-COMMRTE-AHMEDABAD dated 13.08.2025 was issued to M/s. P.I. Industries Ltd., Plot No. 29/2, Sterling SEZ & Infrastructure Limited, At. & P.O. Sarod, Taluka-Jambusar, District- Bharuch, Gujarat, asking them to show cause to the Additional Commissioner of Customs, I/c Sterling-SEZ, Jambusar, District-Bharuch, as to why;

- a. The Customs Duty amounting to **Rs. 43,08,108/-** (Rupees Forty three lakhs eight thousands one hundred and eight only) [As detailed in Para 5 above] equal to duty leviable/foregone on the inputs **used in the theft exported goods which did not meet the quality standards after reprocessing of the stolen export goods**, should not be demanded and recovered under Section 26 of the SEZ, Act,2005 and Section 28(1) of the Customs Act,1962 read with Rule 22, 25, 34 and 47 of the SEZ Rules, 2006;
- b. Interest at the appropriate rate, on the total duty demanded at Sr. No.(i) above should not be demanded and recovered from them, under Section 28AA of the Customs Act, 1962;
- c. Penalty should not be imposed upon them under Section 114 A of the Customs Act, 1962 read with Section 112 (a) of the Customs Act, 1962;
- d. Drawback claimed / refunded amounting to **Rs. 2916.00** (Rupees Two Thousand and Sixteen only) on the stolen Export goods should not be recovered under Rule-25 of SEZ Rules, 2006.
- e. Bond-Cum Legal Undertaking in Form H furnished by the Noticee should not be enforced towards above liabilities under Section 143 of the Customs Act, 1962.

11. WRITTEN SUBMISSION BEFORE PERSONAL HEARING

11.1 Vide defense reply dated 29.10.2025 (**Annexure-G**) the notice disputes all allegations and seeks complete dropping of proceedings. The

notice inter alia submitted that:

- i. Finished Products (Ether and Pyroxasulfone Technical) were duly manufactured in the SEZ and cleared for export.
- ii. Goods were stolen en route by the transporter's drivers, replaced with cement-sand bags, and exported unknowingly.
- iii. Theft was immediately reported by FIRs and intimated to SEZ authorities.
- iv. Police recovered the stolen goods; the same were released to the Noticee under court order and re-admitted into the SEZ with approval.
- v. After reprocessing:
 - a. Only QC-passed quantities were retained.
 - b. Non-conforming quantities were destroyed within the SEZ strictly under Rule 39(1) of SEZ Rules.
- vi. Drawback claimed on DTA inputs relating to destroyed quantities was fully repaid with interest.

11.2 The Noticee further submitted that no Customs Duty is Payable as Rule 39 expressly permits destruction without duty viz. Rule 39(1) allows destruction of *manufactured goods* within SEZ **without payment of duty**. In the instant case, the destroyed Ether (4,988 kg) and Pyroxasulfone (2,315 kg) were incinerated **within SEZ**, after QC failure, strictly in terms of Rule 39.

11.3 The Noticee further submitted that Rule 34 triggers duty only in two situations :

- (i) goods are utilised **for purposes other than authorised operations**, or
- (ii) the unit **fails to account** for the goods.

and in the instant case neither situation exists due to the following reasons :

- i. Inputs were used exclusively for authorised operations (manufacture of export goods).
- ii. Complete accountal of inputs and finished goods was maintained and shared with SEZ authorities.
- iii. QC-failed goods were destroyed as per Rule 39; this cannot be termed "diversion".

11.4 The notice further relied upon three CESTAT cases in

respect to **Satguru Polyfab Pvt Ltd Vs. CC [2011 (267) ELT 273 (Tri.)]**, **Jindal International Vs. CC [2013 (290) ELT 729 (Tri.)]** and **Sami Labs Limited Vs. CC [2007 (216) ELT 59 (Tri.)]** vide which it is held that accidental loss/destruction of goods within SEZ/EOU **does not amount to misuse or diversion**, nor does it attract duty. The same principle applies here: theft and subsequent QC-based destruction cannot constitute unauthorised use. Accordingly, **duty demand is ultra vires Rule 39 and Rule 34** and must be dropped.

11.5 The Noticee further submitted the drawback of ₹2,916 related to DTA inputs used in destroyed output has been **fully repaid with interest**. With restitution complete, no further action survives.

11.6 The Noticee further submitted that :

(i) the Interest is accessory to duty. Where **no duty is payable**, interest under Section 28AA does not arise.

(ii) Penalty requires goods to be **liable for confiscation under Section 111**. The SCN does **not allege confiscation** of any goods. Hence, Section 112(a) cannot be invoked. Penalty requires **collusion, willful misstatement, or suppression**. The SCN contains **no allegation** of fraud or suppression. Therefore, Section 114A is inapplicable. Section 114A (proviso) **bars simultaneous penalty under Section 112**.

SCN proposing both is **legally defective**.

11.7 The defence reply finally ends with a prayer from the noticee to :

- i. **Drop the entire demand of Customs Duty** of ₹43,08,108;
- ii. **Confirm closure** of drawback recovery already paid;
- iii. **Set aside the proposed interest** under Section 28AA;
- iv. **Drop proposed penalties** under Sections 112(a) and 114A; and
- v. Grant a **personal hearing** before passing any order.

12. PERSONAL HEARING: -

12.1 A virtual PH was given on 22/12/2025 at 11:00 Hrs. which was postponed to 06.01.2026 (at 11:30Hrs) on the request of the Noticee.

12.2 The Virtual PH was attended by the authorized representative of

the Noticee i.e. Shri Ashok Dhingra and team (M/s. Ashok Dhingra Associates) who reiterated the facts of the case (**Annexure-H**) and along with their defence submission dated 29.10.2025 (**Annexure-I**).

12.3 Shri Ashok Dhingra requested to consider the additional written submission sent via email dated 06.01.2026 i.e. on the day of hearing and further requested to drop the proceedings initiated under the instant Show Cause Notice and withdraw the proposed demand for tax, interest and penalty.

13. DISCUSSIONS AND FINDINGS:

13.1 I have carefully gone through the record of the case, the Show Cause Notice, the relied-upon documents, the reply to the Show Cause Notice and submissions made by the Noticee and the evidence gathered during the investigation. After considering the entire material placed before me, I find that the brief facts of the case are as under: -

(i) M/s. P.I. Industries Ltd., an SEZ unit, exported goods (Pyroxasulfone Technical and AE-747 Ether) in August 2023. While the goods were in transit to Hazira Port, they were stolen and the company reported the incident to the police. The police later recovered the stolen goods, which were brought back to the SEZ for examination.

(ii) Upon reprocessing the recovered goods, a portion of the material failed quality standards (2,315 kg of Pyroxasulfone Technical and 4,988 kg of AE-747 Ether). The company replenished this shortfall using fresh production, and subsequently exported the processed goods.

(iii) The Specified Officer of the SEZ Sterling investigated and found that the raw materials used in the defective/shortfall quantity were not utilised for authorised SEZ operations and therefore lost their duty-free status. They calculated duty foregone of ₹43,08,108/-, drawback of ₹2,916/- and **alleged violations of SEZ Rules** and Bond obligations, leading to issuance of the Show Cause Notice.

13.2 Therefore, after going through the record of the case, the issues that arise for determination and to be dealt with in the present matter

are:

(I) whether the noticee viz. M/s. P.I. Industries Ltd. (an SEZ unit), is liable to pay Rs. 43,08,108/- under Section 26 of the SEZ, Act, 2005 and Section 28(1) of the Customs Act, 1962 read with Rule 22, 25, 34 and 47 of the SEZ Rules, 2006 alongwith applicable interest under Section 28AA of the Customs Act, 1962 or otherwise;

(II) Whether penalty is liable to be imposed on the Noticee under Section 114 A of the Customs Act, 1962 read with Section 112 (a) of the Customs Act, 1962 or otherwise;

(III) Whether Drawback claimed / refunded amounting to Rs. 2916.00 on the stolen Export goods is liable to be recovered under Rule-25 of SEZ Rules, 2006 or otherwise.

(IV) Whether Bond-Cum Legal Undertaking in Form H furnished by the Noticee is liable to be enforced towards above liabilities under Section 143 of the Customs Act, 1962 or otherwise.

13.3 In the present case, the undisputed facts are that the Noticee is a duly authorised unit operating in a Special Economic Zone (SEZ) under the provisions of the Special Economic Zones Act, 2005 and the Special Economic Zones Rules, 2006.

The Noticee had manufactured finished goods, namely **Pyroxasulfone Technical** and **AE-747 Ether**, within the SEZ premises and cleared the same for export during August 2023 in terms of Section 26(1) of the SEZ Act, 2005 read with Rule 27 of the SEZ Rules, 2006.

While the export consignments were in transit to Hazira Port, the goods were stolen due to a criminal act committed by third parties. The theft occurred outside the SEZ premises and was clearly beyond the control of the Noticee.

The incident of theft was reported to the police authorities by lodging FIRs dated 18.10.2023 and 31.10.2023. The Noticee also intimated the SEZ authorities regarding the said incident vide email dated 23.11.2023 at 5:48 PM.

Subsequently, the stolen goods were recovered by the police authorities. Pursuant to orders passed by the competent judicial authority, the recovered goods were permitted to be brought back into the SEZ premises, with the approval of the Development Commissioner, Sterling SEZ, for the purpose of examination and further processing.

13.4 I note that the investigation in the present case was not independently initiated or conducted by the officers of the Special Economic Zone or the Customs authorities. The incident of theft was investigated by the local police authorities, who recovered the stolen goods and retained custody thereof until issuance of release orders by the competent judicial authority.

The learned Chief Judicial Magistrate, Mangrol, passed release orders dated 07.11.2023, pursuant to which the Registrar issued a release letter dated 24.11.2023 for handing over the goods in accordance with law.

Throughout this period, the role of the SEZ authorities remained supervisory and regulatory in nature, and no separate investigation was undertaken by them regarding the theft.

Subsequently, upon request made by the Noticee vide letter dated 04.12.2023, re-admission of the recovered goods into the SEZ was permitted with the approval of the Development Commissioner, Sterling SEZ, in terms of the provisions of the Special Economic Zones Act, 2005 and the Special Economic Zones Rules, 2006.

Thereafter, detailed sampling and examination proceedings were conducted under proper panchnamas dated 04.12.2023 (from 12:00 hrs to 18:15 hrs) and 05.12.2023 (from 10:30 hrs to 13:30 hrs). These proceedings were carried out under the knowledge and supervision of the Authorised Officer, Sterling SEZ, thereby ensuring procedural compliance and transparency.

13.5 From the records of the case, the Show Cause Notice, and the detailed written submissions filed by the Noticee, it is evident that the Noticee has acted in a transparent and lawful manner at every stage of the proceedings.

Immediately upon occurrence of the theft, FIRs were lodged with the jurisdictional police authorities and the SEZ authorities were duly informed. All subsequent actions, including re-admission of the recovered goods into the SEZ and their examination, were undertaken only after obtaining the requisite permissions from the competent authorities. Upon reprocessing of the recovered goods, a portion of the material was found to be non-conforming to the prescribed quality standards.

Accordingly, non-conforming quantities, namely **2,315 kg of Pyroxasulfone Technical** and **4,988 kg of AE-747 Ether**, were destroyed within the SEZ premises in accordance with Rule 39 of the

Special Economic Zones Rules, 2006. The remaining quantity, which met the requisite quality specifications, was duly re-exported.

The Noticee has furnished complete quantitative reconciliation of inputs and outputs as mandated under Rule 22(2) of the Special Economic Zones Rules, 2006. The said reconciliation was verified by the SEZ authorities and no discrepancy has been brought on record.

Further, there is no evidence available on record to indicate diversion, clandestine removal, or unauthorised clearance of goods into the Domestic Tariff Area (DTA) in contravention of Rule 34 or Rule 47 of the Special Economic Zones Rules, 2006.

In view of the above, the records demonstrate procedural compliance and absence of any mala fide intent or violation of the statutory provisions governing SEZ operations.

13.6 Rule 34 of the Special Economic Zones Rules, 2006 provides that duty becomes payable only in situations where goods admitted into the SEZ are either utilised for purposes other than authorised operations or where the Unit fails to account for such goods. Thus, duty liability arises only upon occurrence of the specific statutory contingencies contemplated therein.

In the present case, neither of the above contingencies is attracted. The inputs in question were used exclusively for authorised operations, namely the manufacture and subsequent reprocessing of export goods. Further, complete quantitative reconciliation has been furnished and verified, establishing that the goods were duly accounted for in the statutory records.

Rule 39(1) of the Special Economic Zones Rules, 2006 expressly permits destruction of goods within the SEZ without payment of duty, subject to compliance with the prescribed procedure. The destruction of **2,315 kg of Pyroxasulfone Technical** and **4,988 kg of AE-747 Ether**, being quality-rejected material arising during reprocessing, was carried out within the SEZ premises under supervision and in accordance with the said Rule.

Quality-based rejection and destruction of goods during the course of manufacturing or reprocessing is an integral and incidental part of authorised operations. Such destruction cannot, by any stretch of interpretation, be equated with unauthorised use, diversion, or misuse of duty-free inputs.

Further, the mere occurrence of theft during transit—an event beyond the control of the Noticee—followed by lawful recovery, re-admission

into the SEZ, reprocessing, and destruction of non-conforming goods in accordance with law, does not attract duty liability either under Section 26 of the Special Economic Zones Act, 2005 or under Section 28 of the Customs Act, 1962.

13.7 I further find that there is no material available on record to establish any deliberate act, wilful misstatement, suppression of facts, or intent to evade payment of duty on the part of the Noticee, which are essential ingredients for invoking penal provisions under Sections 112 or 114A of the Customs Act, 1962.

The loss of goods occurred due to an external criminal act of theft, which was duly reported to the jurisdictional police authorities through FIRs dated 18.10.2023 and 31.10.2023. The incident was also intimated to the SEZ authorities on 23.11.2023. The sequence of events demonstrates that the Noticee acted promptly and in good faith, without any attempt to conceal material facts.

The conduct of the Noticee throughout the proceedings has been bona fide, transparent, and in conformity with the provisions of the Special Economic Zones Act, 2005 and the Special Economic Zones Rules, 2006. The records establish that the recovered goods were re-admitted into the SEZ with proper approval, reprocessed, and the non-conforming quantities were destroyed in accordance with Rule 39 of the SEZ Rules, 2006. The balance conforming goods were re-exported, and complete quantitative reconciliation has been verified.

The judicial decisions relied upon by the Noticee consistently hold that accidental loss, theft, or destruction of goods during the course of authorised operations does not amount to diversion or misuse so as to attract recovery of duty. The ratio of the said decisions squarely applies to the facts of the present case.

In view of the foregoing findings, the proposed demand of customs duty amounting to ₹43,08,108/- along with interest under Section 28AA of the Customs Act, 1962, and the proposal for imposition of penalties under the aforesaid provisions, are not sustainable in law and are therefore liable to be dropped.

13.8 Furthermore, the present investigation, purportedly conducted under Section 28 of the Customs Act, 1962 read with Section 26 of the Special Economic Zones Act, 2005, is based solely on the inquiry carried out by the Specified Officer, Sterling SEZ.

Upon examination of the investigation records, I note that no substantive findings have been recorded regarding potential third-party

involvement, such as the transporter company and drivers of the vehicles, nor has corroborative evidence, including statements from the commercial head of the unit, been recorded. Additionally, there was no seizure of the goods in question by the investigating officer during the course of the investigation.

These deficiencies are material and go to the root of the proposed demand. The essential requirements for confirmation of duty liability under Section 28 of the Customs Act, 1962 read with Section 26 of the SEZ Act, 2005, namely proper investigation, recording of material evidence, and verification of accounts, have not been satisfied.

I find that the investigation carried out by the SEZ authorities fails to provide legally sustainable evidence or quantification of duty. The burden of proof, which squarely lies on the Department to establish duty liability, has not been discharged in the present case. Consequently, the proposed demand cannot be legally sustained.

13.9 Since a demand under Section 28 of the Customs Act, 1962 cannot be sustained on assumptions or presumptions, it is evident from the findings recorded in the foregoing paragraphs that the proposed demand of customs duty, along with the consequential penal action, is not sustainable in law. Accordingly, the proceedings are hereby dropped.

13.10 As regards the drawback amount of ₹2,916/-, it is noted that the Noticee has already repaid the same along with applicable interest. In view of this, no further action is required in respect of the said drawback. Consequently, enforcement of the Bond-cum-Legal Undertaking in Form-H is also unwarranted.

13.11 In view of the foregoing discussion, I hold that the allegations made in the Show Cause Notice are **not established**. Consequently, the proposed demand of **duty, interest, and penalties** is **hereby dropped**.

14. Accordingly, I pass the following order: -

ORDER

I drop the proceedings initiated against the Noticee, **M/s P.I. Industries Ltd., Plot No. 29/2, Sterling SEZ and Infrastructure Limited, At & P.O. Sarod, Taluka-Jambusar, District Bharuch-392180, Gujarat**, pursuant to Show Cause Notice No. **CUS/EPF/OTH/77/2025-EPC-BRH-CUS-COMMRTE-AHMEDABAD** dated **13.08.2025**, except for the appropriation of the drawback amounting to **₹2,916/-**, along with applicable interest, which has been **voluntarily repaid by the Noticee**.

Digitally signed by
SHREE RAM VISHNOI
Date: 17-02-2026
18:13:05

(SHREE RAM VISHNOI)
Additional Commissioner of Customs.

Date:17-02-2026

DIN:20260271MN0000212312

F. No. CUS/EPF/OTH/77/2025-EPC-BRH-CUS-COMMRTE-AHMEDABAD

To,

M/s. P.I. Industries Ltd.,
Plot No. 29/2,
Sterling SEZ and Infrastructure Limited,
At. & P.O. Sarod, Taluka-Jambusar,
District-Bharuch-392180,
Gujarat

Copy to:-

- i. The Principal Commissioner of Customs, Ahmedabad Customs Commissionerate, Ahmedabad.
- ii. The Deputy/ Assistant Commissioner of Customs, Review Cell, 4th Floor, HUDCO Bhavan, Ahmedabad.
- iii. The Superintendent, Customs, H.Q. (Systems), Ahmedabad, in PDF format for uploading on website of Customs Commissionerate, Ahmedabad.
- iv. Guard File.

Annexure: A

O.S.D. D.C. <osd.ssez@gmail.com>

RE: news of stealing agrochemicals meant for export- M/r

Riken Shah <riken.shah@piind.com>

Thu, Nov 23, 2023 at 5:48 PM

To: "OSD, Sterling SEZ" <osd.ssez@gmail.com>

Cc: Vikas Singhal <vikas.singhal@piind.com>, Rajesh Kothari <r.kothari@piind.com>, "pratik.mehta" <pratik.mehta@piind.com>

BY EMAIL

PI/SEZ/EXPORT/THEFT/2023-24

Date: 23/11/2023

To,

The Authorised Officer/ Specified Officer,**Sterling SEZ, Jambusar,**

Office of the Senior Development Commissioner,

Sterling SEZ and Infrastructure Limited

Sandesara Estate, Atladara, Padra Road, Vadodara-390012

Sub: Theft of Export materials from containers-- regarding

Dear Sir,

Further to our E-mail dated 08.09.2023 , we wish to inform you that we have dispatched goods mentioned in below table from our SEZ unit bearing plot no. 29/2 to Hazira port for further export to USA & Europe.

SR.	INVOICE NO	INVOICE DT.	SHIPPING BILL NO	SHIPPING BILL DT.	CONTAINER NO.	MATERIAL DESCRIPTION	COUNTRY OF DESTINATION
1	73530606 / 73530607	16-08-2023	4000226	16-08-2023	MEDU4740137	747 ETHER	ROTTERDAM, EUROPE
2	73530609	19-08-2023	4000228	19-08-2023	TRHU8651369	Pyroxasulfone Technical	JACKSONVILLE, USA
3	73530615	28-08-2023	4000241	28-08-2023	MSDU5605545	Pyroxasulfone Technical	JACKSONVILLE, USA

We would like to inform you that below materials have been stolen enroute to Hazira port. In this regard, we would like to explained in detailed below:-

SR. NO. 1:- EXPORT INVOICE NO:- 73530606 & 73530607 DATED 16.08.2023

We had received an export order of the product namely 747 ETHER in our SEZ unit (plot no.29/2) on 24.04.2023 by the customer "Bayer Crop Science Limited, Crop Science Division Procurement, Bayer House Central Avenue, Hirandani Estate Thane (W)" to

deliver the goods at "Bayer AG ("Customer") of Scherea, Germany.

We instructed the transporter namely Liladhar Paso Forwards Private Limited C/o. Safe Trans Multimodal Pvt. Ltd. to pick-up empty container from the nominated yard of shipping line namely MSC & transport the said container to our plant for loading & delivered to Hazira port, Surat for further export to Rotterdam, port as per Incoterm. Transporter placed vehicle on 16/08/2023, a trailer No. GJ-12-BZ-1005 and container No. MEDU4740137.

We had loaded goods in the above mentioned container and sealed the container with carrier (MSC) seal No.FX27513890 and RFID Seal No. ENOS01575850. This container had been dispatched from our SEZ unit on 17.08.2023 and reached at Hazira port on 18.08.2023.

After reaching of container at destination, we have received an e-mail from customer on 28/09/2023, informing that, instead of our materials, they had received cement bags filled with sand in container No. MEDU4740137, and photographs of the container and bags have been sent to us. Thereafter, we collected the complete details of the dispatches and informed transporter about the incidence that the goods dispatched in Container No. MEDU4740137 on 17.08.2023 has not received by customer. With the help of transporter, we had carried out checking through GPS system placed in the Trailer No. GJ-12-BZ-1005 and container No. MEDU4740137, wherein it was found that, on 17.08.2023 the aforesaid Trailer No. GJ-12-BZ-1005 was driven from Jambusar and reached at night to nearby Jay Bhawani Textiles and Silver Textiles Hub, on dtd.18/08/2023. Custom RFID seal verification was done at Hazira Port on 18/08/2023 and after successful verification of seal, Hazira port authorities allowed to load the said container on vessel.

The said goods were sent to the Hazira Port in a sealed container. After departing containers from our company, drivers by making a planned criminal conspiracy and having intention to commit fraud. The container was taken somewhere near to IYP Cricket ground situated near the location nearby to Jay Bhawani Textiles within the limits of Village Pipodara, and unlawfully committed tempering with the seal of the container, taken out the goods of Agro Chemical from the container, and affixed the same seal or other fabricated seal again after filling plastic cement bags with sand, and kept it in the container in place of the intended goods.

SR.NO.2: - EXPORT INVOICE NO:- 73530609 DATED 19.08.2023

We had received an export order of the product namely Pyroxasulfone Technical (OCTOPUSSY) in our SEZ unit (plot no.29/2) on 28/06/2023 by the "K-I CHEMICAL USA INC. 5425 PAGE ROAD, SUITE 160, DURHAM, NC 27703 ATTN: KYOHEI MOTOHANSHI/NOZOMI DIAMOND USA.

We instructed the transporter namely Liladhar Paso Forwards Private Limited C/o. Safe Trans Multimodal Pvt. Ltd. to pick-up empty container from the nominated yard of shipping line namely MSC & transport the said container to our plant for loading & delivered to Hazira port, Surat for further export to USA. Transporter placed vehicle on 18/08/2023, a trailer No. GJ-12-BZ-0110 and container no. TRHU8651369. We had loaded goods in the above container with Carrier (MSC) seal No. FX27514343 and RFID Seal No. ENOS01575851.

After the 1st Incident of theft, we had checked GPS of all vehicles which were moved to Hazira port and while GPS tracking of this vehicle, we came to know that this container was also taken to the same location hence we immediately inform carrier (MSC) to hold this container at transshipment port i.e free port to check the materials. We had informed this Incident to our Insurance company & requested to survey this container to check the status of material. Surveyor opened & checked container and they found cement bags filled with sand instead of our material.

SR.NO.3: - EXPORT INVOICE NO:- 73530615 DATED 28.08.2023

Export order and transporter details for movement of materials from this Invoice are as per sr. no. 2.

We instructed the transporter namely Liladhar Paso Forwards Private Limited C/o. Safe Trans Multimodal Pvt. Ltd. to pick-up empty container from the nominated yard of shipping line namely MSC & transport the said container to our plant for loading & delivered to Hazira port, Surat for further export to USA. Transporter placed vehicle on 28/08/2023, a trailer No. GJ-12-BZ-1005 and container no. MSDU5605545. We had loaded goods in the above container with Carrier (MSC) seal No. MSDU5605545 and RFID Seal No. ENOS01575850.

After the 1st Incident of theft, we had checked GPS of all vehicles which were moved to Hazira port and while GPS tracking of this vehicle, we came to know that this container was also taken to the same location hence we immediately inform carrier (MSC) to hold this container at transshipment port i.e free port to check the materials. We had informed this Incident to our Insurance company & requested to survey this container to check the status of material. Surveyor opened & checked container and they found cement bags filled with sand instead of our material.

Further we would like to inform you that we had filed FIR for theft of materials from containers and Police had taken immediate action and recover our materials.

Materials have been kept at Footprint warehouse near to kosamba, surat under the custody of police and we are in process to gate permission from court to release materials. Currently we are not able to quantify the materials.

We shall have brought back these materials in to our SEZ unit (Plot no. 29/2) once we get permission from court.

This is for your information and we will update you with further relevant details in due course.

Attaching shipping bill and FIR copies for your kind reference.

Yours faithfully,
For PI Industries Limited

Regards,

Riken Shah
Team Member - SEZ (Imports/Exports)
Capital Purchase, Stores and Logistics



PI Industries Ltd.
901-905, Ocean Building, , Vadodara-390003, Gujarat, India
Sarabhai Compound, Dr. Vikram
Sarabhai Marg
Tel: +91-265-6170000, Mobile: 9512008074
www.piindustries.com

From: Riken Shah <riken.shah@piind.com>
Sent: 08 November 2023 11:51
To: OSD, Sterling SEZ <osd.ssez@gmail.com>
Cc: Vikas Singhal <vikas.singhal@piind.com>; Rajesh Kothari <r.kothari@piind.com>
Subject: RE: news of stealing agrochemicals meant for export- M/r

Dear Sir,

Please find attached herein copies of FIRs.

Below containers are for SEZ unit & rest are for our DTA unit.

SR. NO.	EXPORT INVOICE NO.	EXPORT INVOICE DT.	POD	POL	TYPE OF CONTAINER	CONTAINER NO.
---------	--------------------	--------------------	-----	-----	-------------------	---------------

1	73530609	19-08-2023	JACKSONVILLE	HAZIRA	40	TRHU8651369
2	73530615	28-08-2023	JACKSONVILLE	HAZIRA	40	MSDU5605545
3	73530606 & 73530607	16-08-2023	ROTTERDAM	HAZIRA	40	MEDU4740137

Regards,

Riken Shah

Team Member - SEZ (Imports/Exports)

Capital Purchase, Stores and Logistics



PI Industries Ltd.

901-905, Ocean Building, , Vadodara-390003, Gujarat, India
Sarabhai Compound, Dr. Vikram
Sarabhai Marg

Tel: +91-265-6170000, Mobile: 9512008074

www.piindustries.com

From: OSD, Sterling SEZ <osd.ssez@gmail.com>
Sent: 06 November 2023 16:44
To: Riken Shah <riken.shah@piind.com>; Rajesh Kothari <r.kothari@piind.com>
Subject: news of stealing agrochemicals meant for export- M/r

CAUTION: This email originated from outside of the organization. Do not click links or open attachments unless you recognize the sender and know the content is safe.

Gentleman,

This has come to notice from newspaper that few materials exported out from Sterling SEZ jambusar recovered from multiple locations from surat police in a case busting racket of stealing agrochemicals meant for export.

please provide detailed report of this incident along with action taken by your side and current status etc.

12/28/23, 4:25 PM

Gmail - RE: news of stealing agrochemicals meant for export- M/r


Regards


AO/SO

Sterling SEZ

This message has been scanned for malware by Forcepoint. www.forcepoint.com

7 attachments

 **73530606 & 73530607- S.BILL.PDF**
3785K

 **73530609 - S.BILL.PDF**
3721K

 **73530615 - S.BILL.PDF**
3707K

 **1. FIR_GUJARATI.PDF**
506K

 **1.FIR_ENGLISH.PDF**
86K

 **2.FIR_GUJARATI.PDF**
5875K

 **2. FIR ENGLISH.PDF**
86K

Annexure: B

PANCHNAMA

MONDAY, 04TH December, 2023

DRAWN AT THE MAIN GATE OF STERLING SEZ AND INFRASTRUCTURE LIMITED, JAMBUSAR.

Sr. No.	Name and Address of Panch Witness	Sex/Age	Occupation	Mob.
01.	Shri Bharat Patel, 472, Vijay Nagar, Tarsali, Vadodara - 390009	Male/ 52	Service	9428764029
02.	Shri ShahbazMunshi, HussainTekari, Near S.T. Depot, Navabazar, Karjan - 391240	Male/ 32	Service	9998547497

On being called upon by a person introducing himself, by showing his identity card, as Shri Dinesh Kumar Meena, Preventive Officer and Shri Yogendra Kumar, Superintendent (AO/SO), Sterling SEZ, Jambusar, we, the above named persons, present ourselves near the main gate of Sterling SEZ on 04.12.2023 at around 12:00 hrs. today i.e. on 04.12.2023. Here we find that a group of some persons is present near the main gate of SEZ. Shri Dinesh Kumar Meena, PO, and then introduces the other persons accompanying him as Shri Girish Jagtiani, Cluster Commercial Lead & representative of M/s. PI Industries Ltd. and some Casuals/Workers from M/s. PI Industries Ltd. Thereafter, Shri Dinesh Kumar Meena informs us that M/s. PI Industries Ltd. have requested the Development Commissioner office for permission to bring some stolen export material back to their unit after obtaining the necessary court order and possession letter regarding the release of the stolen export material from police custody. Thereafter, permission to bring the stolen export material back to their unit was granted with directions to examine the goods and its quantity under Panchnama and also to draw samples for records. Therefore, Shri Dinesh Kumar Meena requests us to remain present as Panch witnesses during the examination of the goods and drawing the samples, for which we readily agreed.

Thereafter, in presence of we the Panchas, Shri Girish Jagtiani, Cluster Commercial Lead & representative of M/s. PI Industries Ltd. and Shri Yogendra Kumar, Superintendent (AO/SO), Sterling SEZ, Shri Dinesh Kumar Meena, Preventive Officer starts the examination of the goods. The Preventive Officer decides to examine the vehicles one by one. We can see that the goods is stored in 11 closed container trucks and sealed with a wired seal on the back door. In front of we, the Panchas and Shri Girish Jagtiani, Cluster Commercial Lead &

04/12/2023

Ad. 11/12/23

11/12/23

P.

(11/12/23)

11/12/23

representative of M/s. PI Industries Ltd. and Shri Yogendra Kumar, Superintendent (AO/SO), Shri Dinesh Kumar Meena, Preventive Officer verify all the vehicle number, wired seal number and also get all the vehicles weighed one by one and found Vehicle Number, Wired Seal no. and Gross Weight as detailed under:-

S.No.	Vehicle No.	Type/Make of vehicle	Wired Seal No.	Gross Weight (in Kg)
1.	GJ16AW3743	Closed Container Truck	000034	12385
2.	GJ16AW1868	Closed Container Truck	000033	12555
3.	GJ16AW3953	Closed Container Truck	000035	12535
4.	DD01E9763	Closed Container Truck	000036	12305
5.	GJ16AW0368	Closed Container Truck	000037	23375
6.	GJ16AV1093	Closed Container Truck	000038	11600
7.	GJ16Z2925	Closed Container Truck	000039	11075
8.	GJ16AW1221	Closed Container Truck	000040	12245
9.	GJ27TT9142	Closed Container Truck	000041	16910
10.	DD01J9063	Closed Container Truck	000042	17035
11.	GJ16AU6165	Closed Container Truck	000043	10540

In presence of we the Panchas, Shri Girish Jagtiani, Cluster Commercial Lead & representative of M/s. PI Industries Ltd. requests to the officers that sampling of hazardous chemicals here may be dangerous because they cannot arrange safety measures like in the plant, the officers decide to examine the goods at open area near the factory loading/unloading point. Thereafter, in presence of we the panchas and all other persons mentioned above, the officer ask the main gate SEZ staff to make entries of all the 11 vehicles in the entry register and issue gate passes, then all the 11 vehicles are taken to the open area near the factory loading/unloading point.

Thereafter, keeping all the safety standards in mind, some Casuals/Workers and employees from Quality Control along with commercial department from M/s. PI Industries Ltd., are called upon with equipment's to draw samples. Thereafter, in presence of we the Panchas, Shri Girish Jagtiani, Cluster Commercial Lead & representative of M/s. PI Industries Ltd. and Shri Yogendra Kumar, Superintendent (AO/SO), Sterling SEZ, Shri Dinesh Kumar Meena, Preventive Officer starts the examination of the goods. The Preventive Officer decides to examine the goods one by one.

We all now comes at Vehicle 1. (Vehicle No. GJ16AW3743). We can see that the vehicle is sealed with a wired Seal No.000034. In presence of we the

09/12/2023 Page

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panchas and all other persons mentioned above, Shri Dinesh Kumar Meena asks the workers to cut the seal and open the container door and we can see that the goods in plastic bags and placed on wooden pallets is stored in the vehicle. Shri Dinesh asks the workers present to unload the goods for examination. After unloading, Shri Meena, in presence of we the panchas and all other persons mentioned above, examines the goods by marks & nos. The goods available in Vehicle 1. (Vehicle No. GJ16AW3743) is as summarized under :-

Delivery Challan No.	Description of Goods	Pallet No.	No. of plastic bags	Bag's range / nos	Qty (in kg) as per Delivery Challan
10036513	8612103009-001-400OCTOPU SSY	6	20	101-120	1000
		7	20	121-140	1000
		8	20	141-160	1000
		9	20	161-180	1000
		10	20	181-200	1000
Total		05 Pallets	100 Bags		5000

Now, we all proceeds to Vehicle 2. (Vehicle No.GJ16AW1868) We can see that the vehicle is sealed with a wired Seal No.000033. In presence of we the panchas and all other persons mentioned above, Shri Dinesh Kumar Meena asks the workers to cut the seal and open the container door and we can see that the goods in plastic bags and placed on wooden pallets is stored in the vehicle. Shri Dinesh asks the workers present to unload the goods for examination. After unloading, Shri Meena, in presence of we the panchas and all other persons mentioned above, examines the goods by marks & nos and draws three samples from random bag no. J-98 (on which weight mentioned 49.64 kg) and seals the samples with lakh seal/office seal for further examination. The goods available in Vehicle 2. (Vehicle No. GJ16AW1868) is as summarized under :-

Delivery Challan No.	Description of Goods	Pallet No.	No. of plastic bags	Bag's range / nos	Qty (in kg) as per Delivery Challan
10036514	8612103009-001-400OCTOPU SSY	1	20	1-20	1000
		2	20	21-40	1000
		3	20	41-60	1000
		4	20	61-80	1000
		5	20	81-100	1000
Total		05 Pallets	100 Bags		5000

Now, we all proceeds to Vehicle 3. (Vehicle No.GJ16AW3953) We can see that the vehicle is sealed with a wired Seal No.000035. In presence of we the panchas and all other persons mentioned above, Shri Dinesh Kumar Meena asks

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04/12/23

unloading, Shri Meena, in presence of we the panchas and all other persons mentioned above, examines the goods by marks & nos. The goods available in Vehicle 5. (Vehicle No. GJ16AW0368) is as summarized under :-

Delivery Challan No.	Description of Goods	Pallet No.	No. of plastic bags	Bag's range / nos	Qty (in kg) as per Delivery Challan
10036517	8612103009-001-400OCTOPU SSY	21	20	401-420	1000
		22	20	421-440	1000
		23	20	441-460	1000
		24	20	461-480	1000
		25	20	481-500	1000
		26	20	501-520	1000
		27	20	521-540	1000
		28	20	541-560	1000
		29	20	561-480	1000
		30	20	581-600	1000
		31	20	601-620	1000
		32	20	621-640	1000
Total		12 Pallets	240 Bags		12000

Now, we all proceeds to Vehicle 6. (Vehicle No.GJ16AV1093) We can see that the vehicle is sealed with a wired Seal No.000038. In presence of we the panchas and all other persons mentioned above, Shri Dinesh Kumar Meena asks the workers to cut the seal and open the container door and we can see that the goods in plastic bags and placed on wooden pallets is stored in the vehicle. Shri Dinesh asks the workers present to unload the goods for examination. After unloading, Shri Meena, in presence of we the panchas and all other persons mentioned above, examines the goods by marks &nos and draws three samples from random bag no. J-739 (on which weight mentioned 49.74 kg) and seals the samples with lakh seal/office seal for further examination. The goods available in Vehicle 6. (Vehicle No. GJ16AV1093) is as summarized under :-

Delivery Challan No.	Description of Goods	Pallet No.	No. of plastic bags	Bag's range / nos	Qty (in kg) as per Delivery Challan
10036530	8612103009-001-400OCTOPU SSY	33	20	641-660	1000
		34	20	661-680	1000
		35	20	681-700	1000
		36	20	701-720	1000
		37	20	721-740	1000
Total		05 Pallets	100 Bags		5000

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Now, we all proceeds to Vehicle 7. (Vehicle No.GJ16Z2925) We can see that the vehicle is sealed with a wired Seal No.000039. In presence of we the panchas and all other persons mentioned above, Shri Dinesh Kumar Meena asks the workers to cut the seal and open the container door and we can see that the goods in plastic bags and placed on wooden pallets is stored in the vehicle. Shri Dinesh asks the workers present to unload the goods for examination. After unloading, Shri Meena, in presence of we the panchas and all other persons mentioned above, examines the goods by marks & nos. The goods available in Vehicle 7. (Vehicle No. GJ16Z2925) is as summarized under :-

Delivery Challan No.	Description of Goods	Pallet No.	No. of plastic bags	Bag's range / nos	Qty (in kg) as per Delivery Challan
10036544	8612103009-001-400OCTOPU SSY	38	20	741-760	1000
		39	20	761-780	1000
		40	20	781-800	1000
		41	20	801-820	1000
		42	20	821-840	1000
Total		05 Pallets	100 Bags		5000

Now, we all proceeds to Vehicle 8. (Vehicle No.GJ16AW1221) We can see that the vehicle is sealed with a wired Seal No.000040. In presence of we the panchas and all other persons mentioned above, Shri Dinesh Kumar Meena asks the workers to cut the seal and open the container door and we can see that the goods in plastic bags and placed on wooden pallets is stored in the vehicle. Shri Dinesh asks the workers present to unload the goods for examination. After unloading, Shri Meena, in presence of we the panchas and all other persons mentioned above, examines the goods by marks & nos. The goods available in Vehicle 8. (Vehicle No. GJ16AW1221) is as summarized under :-

Delivery Challan No.	Description of Goods	Pallet No.	No. of plastic bags	Bag's range / nos	Qty (in kg) as per Delivery Challan
10036545	8612103009-001-400OCTOPU SSY	43	20	841-860	1000
		44	20	861-880	1000
		45	20	881-900	1000
		46	20	901-920	1000
		47	20	921-940	1000
		48	20	941-960	1000
		49*	9	961-969	450
Total		07 Pallets	129 Bags		6450

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* In presence of we the Panchas, Shri GirishJagtiani, Cluster Commercial Lead & representative of M/s. PI Industries Ltd. and Shri Yogendra Kumar, Superintendent (AO/SO), Sterling SEZ, Shri Dinesh Kumar Meena, Preventive Officer, we all see that on pallet no. 49, KBR Powder is written and draws three samples from random bag no. J-961 & J-962 & J-963 (on which weight mentioned 49.64 kg) and seals the samples with lakh seal/office seal for further examination. When the officer ask the representative of M/s. PI Industries Ltd. about this, he replies that sampling of each bag will be done, only after that we will be able to decide whether this material is ours or not ?

Thereafter, in presence of we the Panchas, Shri GirishJagtiani, Cluster Commercial Lead & representative of M/s. PI Industries Ltd. and Shri Yogendra Kumar, Superintendent (AO/SO), Sterling SEZ, Shri Dinesh Kumar Meena, Preventive Officer get all the eight empty vehicles weighed one by one and found Net Weightas detailed under:-

S.No.	Vehicle No.	Delivery Challan No.	Description of Goods	Gross Weight (In KGS)	Tare Weight (In KGS)	Net Weight (In KGS)
1	GJ16AW3743	10036513	8612103009-001-400 OCTOPUSSY	12385	7280	5105
2	GJ16AW1868	10036514	8612103009-001-400 OCTOPUSSY	12555	7435	5120
3	GJ16AW3953	10036515	8612103009-001-400 OCTOPUSSY	12535	7430	5105
4	DD01E9763	10036516	8612103009-001-400 OCTOPUSSY	12305	7180	5125
5	GJ16AW0368	10036517	8612103009-001-400 OCTOPUSSY	23375	11115	12260
		10036518	8612103009-001-400 OCTOPUSSY			
6	GJ16AV1093	10036530	8612103009-001-400 OCTOPUSSY	11600	6505	5095
7	GJ16Z2925	10036544	8612103009-001-400 OCTOPUSSY	11075	5965	5110
8	GJ16AW1221	10036545	8612103009-001-400 OCTOPUSSY	12245	5630	6615
Total				108075	58540	49535

Thereafter, in presence of we the Panchas, Shri GirishJagtiani, Cluster Commercial Lead & representative of M/s. PI Industries Ltd. The officers decide it is too dark now. Keeping hazardous chemicals and safety in mind, today's proceedings stops here and the remaining goods and vehicles will be examined tomorrow morning.

08/12/2023

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The above panchnama was commenced at 12:00 hrs on 04.12.2023 and concluded at 18:15 hrs on 04.12.2023. The normal working of SEZ was not hampered. Shri Dinesh Kumar Meena, Preventive Officer and ShriYogendra Kumar, Superintendent (AO/SO), Sterling SEZ, ShriGirishJagtiani, Cluster Commercial Lead & representative of M/s. PI Industries Ltd. and we the above named panchas remain present throughout the course of panchnama proceedings. The panchnama proceeding concluded in a cordial manner. We the panchas read this panchnama and found the same as per our say and version, which is prepared in the laptop of the officer. In token of its correctness, we the panchas put our dated signature on all the pages of this panchnama.

Drawn by:


04/12/2023
[Dinesh Kumar Meena]
Preventive Officer
Sterling SEZ, Jambusar

Panch No. 1


35/12/23

Panch No. 2



34/12/23

For, PI Industries Limited

Authorised Signatory
Name : Girish Jagtiani
Designation : Commercial Head

[Shri Girish Jagtiani]
Cluster Commercial Lead &
Representative of M/s. PI Industries Ltd.

Before me:


YOGENDRA KUMAR
AUTHORISED OFFICER
STERLING SEZ, JAMBUSAR.
[Shri Yogendra Kumar]
Superintendent (AO/SO),
Sterling SEZ, Jambusar

Annexure: C

PANCHNAMA

TUESDAY, 05TH December, 2023

DRAWN AT OPEN AREA NEAR THE FACTORY LOADING/UNLOADING POINT OF M/S. PI INDUSTRIES LTD., JAMBUSAR

Sr. No.	Name and Address of Panch Witness	Sex/Age	Occupation	Mob.
01.	Shri Bharat Patel, 472, Vijay Nagar, Tarsali, Vadodara - 390009	Male/ 52	Service	9428764029
02.	Shri Shahbaz Munshi, Hussain Tekari, Near S.T. Depot, Navabazar, Karjan - 391240	Male/ 32	Service	9998547497

On being called upon by a person introducing himself, by showing his identity card, as Shri Dinesh Kumar Meena, Preventive Officer and Shri Yogendra Kumar, Superintendent (AO/SO), Sterling SEZ, Jambusar, we, the above named persons, present ourselves at open area near the factory loading/unloading point of M/s. PI Industries Ltd., on 05.12.2023 at around 10:30 hrs. today i.e. on 05.12.2023. Here we find that a group of some persons is present at open area near the factory loading/unloading point of M/s. PI Industries Ltd. in SEZ. Shri Dinesh Kumar Meena, PO, and then introduces the other persons accompanying him as Shri Girish Jagtiani, Cluster Commercial Lead & representative of M/s. PI Industries Ltd. and some Casual/Workers from M/s. PI Industries Ltd. Thereafter, Shri Dinesh Kumar Meena informs us that yesterday we had done the goods examination of eight vehicles. Today we will examine the goods of remaining three vehicles. Therefore, Shri Dinesh Kumar Meena requests us to remain present as Panch witnesses during the examination of the goods and drawing the samples, for which we readily agreed.

Thereafter, keeping all the safety standards in mind, some Casuals/Workers and employees from Quality Control along with commercial department from M/s. PI Industries Ltd., are called upon with equipment's to draw samples. Thereafter, in presence of we the Panchas, Shri Girish Jagtiani, Cluster Commercial Lead & representative of M/s. PI Industries Ltd. and Shri Yogendra Kumar, Superintendent (AO/SO), Sterling SEZ, Shri Dinesh Kumar Meena, Preventive Officer starts the examination of the goods. The Preventive Officer decides to examine the goods one by one.

We all now comes at Vehicle 1. (Vehicle No. GJ16AU6165). We can see that the vehicle is sealed with a wired Seal No.000043. In presence of we the panchas and all other persons mentioned above, Shri Dinesh Kumar Meena asks

(1)

Shri Dinesh Kumar Meena

Shri Girish Jagtiani

Shri Yogendra Kumar

Shri Dinesh Kumar Meena

asks the workers to cut the seal and open the container door and we can see that the goods in plastic bags and placed on wooden pallets is stored in the vehicle. Shri Dinesh asks the workers present to unload the goods for examination. After unloading, Shri Meena, in presence of we the panchas and all other persons mentioned above, examines the goods by marks & nos. The goods available in Vehicle 3.(Vehicle No.GJ27TT9142) is as summarized under:-

Delivery Challan No.	Description of Goods	Pallet No.	No. of plastic bags	Bag's range / nos	Qty (in kg) as per Delivery Challan
10036546	8612103901-001-476 AE 747 EATHER TECHNICAL 476 KG	1	20	1-20	1000
		2	20	21-40	1000
		3	20	41-60	1000
		4	20	61-80	1000
		5	20	81-100	1000
		6	20	101-120	1000
		7	20	121-140	1000
		8	20	141-160	1000
Total		08 Pallets	160 Bags		8000

Thereafter, in presence of we the Panchas, Shri GirishJagtiani, Cluster Commercial Lead & representative of M/s. PI Industries Ltd. and Shri Yogendra Kumar, Superintendent (AO/SO), Sterling SEZ, Shri Dinesh Kumar Meena, Preventive Officer get all the Three empty vehicles weighed one by one and found Net Weight as detailed under:-

S.No.	Vehicle No.	Delivery Challan No.	Description of Goods	Gross Weight (In KGS)	Tare Weight (In KGS)	Net Weight (In KGS)
1.	GJ27TT9142	10036546	8612103901-001-476 AE 747 EATHER TECHNICAL 476 KG	16910	8735	8175
2.	DD01J9063	10036547	8612103901-001-476 AE 747 EATHER TECHNICAL 476 KG	17035	8875	8160
3.	GJ16AU6165	10036549	8612103901-001-476 AE 747 EATHER TECHNICAL 476 KG	10540	7355	3185
Total				44485	24965	19520

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the workers to cut the seal and open the container door and we can see that the goods in plastic bags and placed on wooden pallets is stored in the vehicle. Shri Dinesh asks the workers present to unload the goods for examination. After unloading, Shri Meena, in presence of we the panchas and all other persons mentioned above, examines the goods by marks & nos and draws three samples from random bag no. JE-381 (on which weight mentioned 49.80 kg) and seals the samples with lakh seal/office seal for further examination. The goods available in Vehicle 1 (Vehicle No. GJ16AU6165) is as summarized under :-

Delivery Challan No.	Description of Goods	Pallet No.	No. of plastic bags	Bag's range / nos	Qty (in kg) as per Delivery Challan
10036549	8612103901-001-476 AE 747 EATHER TECHNICAL 476 KG	17	20	321-340	1000
		18	20	341-360	1000
		19	20	361-380	1000
		20	2	381-382	100
Total		05 Pallets	62 Bags		3100

Now, we all proceeds to Vehicle 2. (Vehicle No.DD01J9063) We can see that the vehicle is sealed with a wired Seal No.000042. In presence of we the panchas and all other persons mentioned above, Shri Dinesh Kumar Meena asks the workers to cut the seal and open the container door and we can see that the goods in plastic bags and placed on wooden pallets is stored in the vehicle. Shri Dinesh asks the workers present to unload the goods for examination. After unloading, Shri Meena, in presence of we the panchas and all other persons mentioned above, examines the goods by marks & nos. The goods available in Vehicle 2. (Vehicle No. DD01J9063) is as summarized under :-

Delivery Challan No.	Description of Goods	Pallet No.	No. of plastic bags	Bag's range / nos	Qty (in kg) as per Delivery Challan
10036547	8612103901-001-476 AE 747 EATHER TECHNICAL 476 KG	9	20	161-180	1000
		10	20	181-200	1000
		11	20	201-220	1000
		12	20	221-240	1000
		13	20	241-260	1000
		14	20	261-280	1000
		15	20	281-300	1000
		16	20	301-320	1000
Total		08 Pallets	160 Bags		8000

Now, we all proceeds to Vehicle 3. (Vehicle No.GJ27TT9142) We can see that the vehicle is sealed with a wired Seal No.000041. In presence of we the panchas and all other persons mentioned above, Shri Dinesh Kumar Meena

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The above panchnama was commenced at 10:30 hrs on 05.12.2023 and concluded at 13:30 hrs on 05.12.2023. The normal working of SEZ was not hampered. Shri Dinesh Kumar Meena, Preventive Officer and Shri Yogendra Kumar, Superintendent (AO/SO), Sterling SEZ, Shri Girish Jagtiani, Cluster Commercial Lead & representative of M/s. PI Industries Ltd. and we the above named panchas remain present throughout the course of panchnama proceedings. The panchnama proceeding concluded in a cordial manner. We the panchas read this panchnama and found the same as per our say and version, which is prepared in the laptop of the officer. In token of its correctness, we the panchas put our dated signature on all the pages of this panchnama.

Drawn by:

Panch No. 1

[Handwritten Signature]
05/12/23

[Handwritten Signature]
05/12/2023
[Dinesh Kumar Meena] **DINESH KUMAR MEENA**
Preventive Officer **PREVENTIVE OFFICER**
Sterling SEZ, Jambusar **STERLING SEZ, JAMBUSAR.**

Panch No. 2

[Handwritten Signature]
05/12/23

For, PI Industries Limited
[Handwritten Signature]
Authorised Signatory
Name : Girish Jagtiani
Designation : Commercial Head

[Shri Girish Jagtiani]
Cluster Commercial Lead & representative of M/s. PI Industries Ltd.

Before me:-

[Handwritten Signature]
[Shri Yogendra Kumar]
Superintendent (AO/SO),
Sterling SEZ, Jambusar

YOGENDRA KUMAR
AUTHORISED OFFICER
STERLING SEZ, JAMBUSAR.

Annexure: D

<p>भारतसरकार वित्तमंत्रालय, राजस्वविभाग केन्द्रीय अप्रत्यक्षकर एवं सीमा शुल्क बोर्ड जवाहरलालनेहरूसीमाशुल्कभवनप्रयोगशाला जवाहरलालनेहरूसीमाशुल्कभवन न्हावाशेवा, ताल-उरण, जिला- रायगढ़ महाराष्ट्र-400707</p>		<p>Government of India Ministry of Finance, Department of Revenue Central Board of Indirect Taxes & Customs Jawaharlal Nehru Custom House Laboratory Jawaharlal Nehru Custom House NhavaSheva, Tal-Uran, Dist-Raigad Maharashtra-400707 TEL: 022-27240261; Email ID. jdnchlab2019@gmail.com</p>
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F. No. S/16-33/2024/LAB/JNCH

Date: 02.02.2024

To

Specified Officer,
Sterling SEZ and Infrastructure Ltd.,
Sandesara Estate, Atladara, Padra Road,
Vadodara-390012

Sub: Testing facilities for samples drawn by the Customs Officer -reg.

Sir,

Please refer to your office letter vide F. No. SSEZ/DC/Misc/SEZ/22-23 dated 24.01.2024 on the subject cited above. In this regard, it is informed that this Laboratory is not having the testing facilities with respect to CRM and test method for these samples. The samples may be forwarded to CRCL, New Delhi in accordance with Annexure A of Board's circular no 46/2020_Customs.

Yours faithfully,

PS Karmakar
02.02.24

(Dr. Parthasarathi Karmakar)
Chemical Examiner Gr I (I/C)

<p>भारतसरकार वित्तमन्त्रालय, राजस्वविभाग केन्द्रीय अप्रत्यक्षकर एवं सीमा शुल्क बोर्ड केन्द्रीय राजस्व नियन्त्रण प्रयोगशाला हिलसाइड रोड, पूसा, नई दिल्ली- 110012</p>		<p>Government of India Ministry of Finance, Department of Revenue Central Board of Indirect Taxes & Customs Central Revenues Control Laboratory Hillside Road, Pusa, New Delhi - 110012 Tel.: 011-21520122/21520123; Fax: 011-25843495; Email: dir.crcl-cbec@nic.in Website: http://crcl.gov.in</p>
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C.No. 1-Cus/CRCL/Misc.Corres /2022 /621

Date: 30.01.2024

To,

The Specified Officer,
Office of the Development Commissioner, Sterling SEZ and Infrastructure Limited,
Sandesara Estate, Atladara, Padra Road, Vadodara -390 012.

Sir,

Sub:-Testing facilities for samples drawn by Customs Officer- m/reg.

Please refer to your letter issued vide F.No. SSEZ/DC/Misc/SEZ/22-23 dated 24.01.2024 on above cited subject matter.

In this regard, it is to inform that this laboratory is currently not equipped with the facility for testing to ascertain exact description/chemical composition of the samples mentioned in your letter.

However for testing to ascertain exact identification of the sample, it may be forwarded to Central Drugs Testing laboratory or any CSIR laboratory or any NABL accredited/ authorized Government laboratory.

Yours faithfully,



Dr. Janardhan Gaddam
Chemical Examiner Gr.-II

भारत सरकार / GOVERNMENT OF INDIA
वित्त मंत्रालय / MINISTRY OF FINANCE
राजस्व विभाग / DEPARTMENT OF REVENUE



दूरभाष / TELEPHONE : 02836-271471
02836-270082
फैक्स / FAX : 02836-270082, 271471

सीमा शुल्क आयुक्त कार्यालय / Office of the Commissioner of Customs
सीमा शुल्क भवन प्रयोगशाला / Custom House Laboratory
सीमा शुल्क भवन, नई कांडला / Custom House, New Kandla
कांडला - 370210 / Kandla - 370 210.

F.No.KCL/02/Misc/Corrs/Otherport/08-09

दिनांक /Date: January 23, 2024

To,

The Specified Officer,
O/o Development Commissioner,
Sterling SEZ & Infrastructure Ltd,
Sandesara Estate, Atladara, Padra Road,
Vadodara - 390 012.

Subject: Testing Facility for the samples drawn by the customs Officer - M/Reg.,
Ref: F.No. SSEZ/DC/Misc/SEZ/22-23 dated 16-01-2024

This is in reference to above & cited subject matter, this office does not have the testing facility for the samples such as Pyroxasulfone Technical & AE 747 Ether 2-Chloro -4-(Methylsulfonyl)-3-(2,2,2-Trifluoroethoxy) Methylbenzoic acid.

This is for your kind information.

Yours Faithfully

K. I. Hambidura
23/01/24.

(के. तंबिदुरै / K. I. HAMBIDURA)

रासायनिकपरीक्षक, जीआर-1/ Chemical Examiner, Gr-I

OCTOPUSSY				Loss Qty		ANNEXURE - E									
#	MATERIAL CODE	DESCRIPTION	UOM	PER KG NORMS	2315	QTY	DOMESTIC/IMPORT	PRICE PER UNIT	TOTAL AV	BCD	SWS	IGST	TOTAL DUTY	DBK TAKEN	APPLICABLE DBK AMOUNT
1	92000401	MULTI LAYER PLASTIC STRETCH FILM ROLL	KG	0.002	0.012		DOMESTIC	152.50	1.77	0.00	0.00	0.32	0.32	NO	0
2	92000418	PLASTIC STRIPING ROLL GREEN 12MM	NO	1	5.788		DOMESTIC	750.00	4340.63	0.00	0.00	781.31	781.31	NO	0
3	92000475	STICKER MARINE POLLUTANT 100 MM	NO	1	5.788		DOMESTIC	3.85	22.28	0.00	0.00	4.01	4.01	NO	0
4	92000612	PAPER SHEET CORRUGATED FOR KPP	KG	0.003	0.017		DOMESTIC	62.00	1.08	0.00	0.00	0.13	0.13	NO	0
5	92000772	PALLET WOODEN 1140 X 1140 - CP9 TYPE	NO	1	5.788		DOMESTIC	1720.00	9954.50	0.00	0.00	1194.54	1194.54	NO	0
6	92000904	STICKER MISC HAZARD CLASS-9 250MM	NO	1	5.788		DOMESTIC	10.00	57.88	0.00	0.00	10.42	10.42	NO	0
7	92000913	STICKER UN NUMBER	NO	1	5.788		DOMESTIC	5.50	31.83	0.00	0.00	5.73	5.73	NO	0
8	92000948	STICKER MISC HAZARD CLASS-9 100MM	NO	1	5.788		DOMESTIC	3.85	22.28	0.00	0.00	4.01	4.01	NO	0
9	92000961	STICKER MARINE POLLUTANT 250 MM	NO	1	5.788		DOMESTIC	3.85	22.28	0.00	0.00	4.01	4.01	NO	0
10	92001104	STRETCH FILM ROLL *MANNUL OPERATION	KG	0.001	0.006		DOMESTIC	156.33	0.90	0.00	0.00	0.16	0.16	NO	0
11	92001134	STICKER UN NUMBER ^CONTAINER	NO	1	5.788		DOMESTIC	3.81	22.05	0.00	0.00	3.97	3.97	NO	0
12	92001383	BAG JUMBO 900 X 900 X 900MM OCTOPUSSY	NO	1	5.788		DOMESTIC	689.00	3987.59	0.00	0.00	717.77	717.77	NO	0
13	92001496	STICKER ARROW SIZE 100 X 100 MM	NO	1	5.788		DOMESTIC	3.85	22.28	0.00	0.00	4.01	4.01	NO	0
14	92001536	SEAL PVC SECURITY BIG ^JUMBO BAG YELLOW	NO	1	5.788		DOMESTIC	2.75	15.92	0.00	0.00	2.86	2.86	NO	0
15	93000109	BROMINE LIQUID	KG	1.046	2421.490		IMPORT	452.62	1096020.86	54801.04	5480.10	208134.36	266415.51	NO	0
16	93000123	CAUSTIC SODA LYE SOLUTION	KG	3.284	7602.460		DOMESTIC	33.00	250881.18	0.00	0.00	45158.61	45158.61	NO	0
17	93000151	HYDROCHLORIC ACID	KG	1.136	2629.840		DOMESTIC	0.01	26.30	0.00	0.00	4.73	4.73	NO	0
18	93000225	SODA ASH	KG	0.731	1692.265		DOMESTIC	36.30	61429.22	0.00	0.00	11057.26	11057.26	NO	0
19	93000229	SULPHURIC ACID	KG	0.346	800.990		DOMESTIC	6.20	4966.14	0.00	0.00	893.90	893.90	BILL OF EXPORT NO. 5000138 FILED HOWEVER DBK IS NOT CLAIMED	50
20	93000412	ACETONITRILE 99% MIN	KG	0.665	1539.475		DOMESTIC	125.00	192434.38	0.00	0.00	34638.19	34638.19	BILL OF EXPORT NO. 5000162 FILED & DBK CLAIMED	2502
21	93000439	CHLORINE GAS-TONERS	KG	0.277	641.255		DOMESTIC	0.01	6.41	0.00	0.00	1.15	1.15	NO	0
22	93000447	DICHLOROETHANE (EDC)	KG	0.039	90.285		DOMESTIC	36.00	3250.26	0.00	0.00	565.05	565.05	NO	0
23	93000460	ETHYL ACETATE	KG	0.562	1301.030		DOMESTIC	91.00	118393.73	0.00	0.00	21310.87	21310.87	NO	0
24	93000467	FORMALDEHYDE 37%	KG	0.328	759.320		DOMESTIC	13.25	10060.99	0.00	0.00	1810.98	1810.98	NO	0

25	93000468	FORMIC ACID	KG	0.1	231.500	DOMESTIC	118.00	27317.00	0.00	0.00	4917.06	4917.06	NO	0
26	93000472	HYDROXYL AMINE SULPHATE	KG	0.372	861.180	IMPORT	150.66	129745.38	9730.90	973.09	25280.89	35984.88	NO	0
27	93000546	SODIUM SULFITE	KG	0.308	713.020	DOMESTIC	58.00	41365.16	0.00	0.00	7443.93	7443.93	FILED & DBK CLAIMED	414
28	93000557	THIONAL CHLORIDE (TC)	KG	0.391	905.185	DOMESTIC	10.50	9504.23	0.00	0.00	1710.76	1710.76	BILL OF EXPORT NO. 5000139 FILED HOWEVER DBK IS NOT CLAIMED	95
29	93000659	N-BUTYL ACETATE	KG	0.649	1502.435	DOMESTIC	92.50	138975.24	0.00	0.00	25015.54	25015.54	NO	0
30	93000694	ISO PROPYL ALCOHOL	KG	0.056	129.640	DOMESTIC	94.00	12186.16	0.00	0.00	2193.51	2193.51	NO	0
31	93000707	TRI FLUORO ETHYL ACETATE	KG	0.291	673.665	IMPORT	933.38	628785.44	47158.91	4715.89	122518.84	174393.64	NO	0
32	93000784	SODIUM ETHOXIDE POWDER	KG	0.148	342.620	DOMESTIC	330.00	113064.60	0.00	0.00	20351.63	20351.63	NO	0
33	93000765	ACETIC ACID	KG	0.331	766.265	DOMESTIC	41.00	31416.87	0.00	0.00	5655.04	5655.04	NO	0
34	93001012	THIOUREA	KG	0.245	567.175	IMPORT	201.33	114189.34	8564.20	856.42	22249.79	31670.41	NO	0
35	93001013	1-Methyl-3-(trifluoromethyl)-1H pyrazole	KG	0.245	567.175	IMPORT	3700.18	2098649.59	157398.72	15739.87	408921.87	582060.46	NO	0
36	93001014	Difluorochloromethane	KG	0.442	1023.230	DOMESTIC	500.00	511615.00	0.00	0.00	92090.70	92090.70	NO	0
37	93001078	GLYOXYLIC ACID 50%	KG	0.679	1571.885	IMPORT	107.14	168411.76	12630.88	1263.09	32815.03	46709.00	NO	0
38	93001079	ISOBUTYLENE	KG	0.249	576.435	DOMESTIC	170.00	97993.95	0.00	0.00	17638.91	17638.91	NO	0
39	93001095	OC-CAT-01	KG	0.022	50.930	DOMESTIC	1850.00	94220.50	0.00	0.00	18959.69	18959.69	BILL OF EXPORT NO. 5000154 FILED HOWEVER DBK IS NOT CLAIMED	1225
40	93001133	MONO METHYL HYDRAZINE 35% MIN	KG	0.13	300.950	IMPORT	740.81	222946.77	16721.01	1672.10	43441.18	61834.29	NO	0
41	93001254	CAUSTIC SODA PRILLS	KG	0.238	550.970	IMPORT	60.30	33223.49	2491.76	249.18	6473.60	9214.54	NO	0
42	93001275	HYDROGEN PEROXIDE LIQUID 50%	KG	0.513	1187.595	DOMESTIC	21.70	25770.81	0.00	0.00	4638.75	4638.75	NO	0
43	93001376	OC-CAT -2	KG	0.033	76.395	DOMESTIC	190.00	14515.05	0.00	0.00	2612.71	2612.71	NO	0
44	93001420	CAUSTIC POTAS LYE SOLUTION	KG	1.702	3940.130	DOMESTIC	132.00	520097.16	0.00	0.00	93617.49	93617.49	NO	0
TOTAL							6789956.22	309497.43	30949.74	1282875.27	1623322.44			4285

MANOJ KUMAR RAJWANSI
PREVENTIVE OFFICER
STERLING SEZ, JAMBUSAR

MILESH NAIR
AUTHORISED OFFICER
STERLING SEZ, JAMBUSAR

Annexure : F

AE 74A Eather

#	MATERIAL CODE	DESCRIPTION	UOM	Loss Qty PER KG NORMS	QTY IN KG	4988	DOMESTIC/ IMPORT	PRICE PER UNIT	HSN CODE	TOTAL AV IN INR	BCD IN INR	SWS IN INR	IGST IN INR	TOTAL DUTY IN INR	DISK TAKEN
1	18200029	3-(BROMOMETHYL)-2-CHLORO-4-(MET HYL)SULFONYLBENZOIC (PIA-1 Complete)	KG	1.008	5,427.47	DOMESTIC	2181	28319090	11,837,303.87	-	-	-	2,130,714.70	2,130,714.70	NO
2	95000123	CAUSTIC SODA LYE SOLUTION	KG	0.015	74.83	DOMESTIC	48.35	28151200	3,617.90	-	-	-	651.22	651.22	NO
3	95000151	HYDROCHLORIC ACID	KG	0.677	3,377.20	DOMESTIC	10.01	28061000	33.77	-	-	-	6.08	6.08	NO
4	95000412	ACETONITRILE 99% MIN	KG	0.135	673.44	DOMESTIC	1777	29269000	119,199.73	-	-	-	21,455.95	21,455.95	NO
5	95000511	ORTHO DICHLORO BENZENE	KG	0.211	1,052.57	DOMESTIC	58	29039120	61,049.02	-	-	-	10,988.82	10,988.82	NO
6	95000566	SALT	KG	0.007	34.92	DOMESTIC	9	25010010	314.27	-	-	-	-	-	NO
7	95000120	TRIFLUOROETHANOL	KG	0.375	1,870.68	IMPORT	957.95	29065900	1,792,017.91	-	13,440.13	-	349,174.69	487,016.17	NO
8	95000154	CAUSTIC SODA PRILLS	KG	0.351	1,750.96	DOMESTIC	76	28151190	133,072.69	-	-	-	23,953.08	23,953.08	NO
TOTAL										13,946,609.16	134,401.34	13,440.13	2,536,944.54	2,684,786.02	


[Signature]

MILESH NAIR
AUTHORISED OFFICER
STERLING SEZ, JAMBUSAR

[Signature]

MANOJKUMAR RAJWANSI
PREVENTIVE OFFICER
STERLING SEZ, JAMBUSAR

CHECK LIST		
Sr.No.	Subject	Remarks
1	Details of relied upon documents	As per Annexure A to G
2	Annexure alongwith relevant worksheet duly signed by the PO & AO.	Yes
3	Whether the Draft SCN is based upon any audit report or otherwise? Give details	No
4	Whether there is any mis-statement or suppression of facts involved? Whether the proviso under Section 28 of Customs Act, 1962 for extended period are involved, justify the same with reasons.	NO
5	Whether any SCN on similar issue has been issued or otherwise	No
6	Whether CD Aenclosed or soft copy supplied	Yes, through email
7	List the issue involved	Customs duty demand equal to duty forgone on the inputs used in replenishing of the theft exported goods.
8	Duty amount involved for demand	Rs. 43,08,108/- (customs Duty + SWS + IGST) + Rs. 2916/- (Recovery of Drawback claimed) alongwith applicable interest.
9	Execution of Bond	By Dev. Commissioner on 05.02.2025
10	Last date of the SCN	SCN is issued under Section 26 of the SEZ, Act, 2005 and Section 28(1) of the Customs Act, 1962. The last Date of SCN is 15/08/2025


MANOJ KUMAR RAJWANSI
 PREVENTIVE OFFICER
 STERLING SEZ, JAMBUSAR


MILESH NAIR
 AUTHORISED OFFICER
 STERLING SEZ, JAMBUSAR

October 29, 2025

The Additional Commissioner of Customs,
I/c Sterling- SEZ
Jambusar, District Bharuch
Gujarat

Re: Reply to your show cause notice

Dear Sir,

PI Industries Limited, (“**PI Industries**” or “**the Noticee**”) thankfully acknowledges receipt of your show cause notice issued under F.No. CUS/EPF/OTH/77/2025-EPC-BRH-CUS-COMMRTE and DIN 20250871MN000000B2C3 dated August 13, 2025 (“**the Notice**”) proposing to demand and recover Customs Duty amounting to INR 43,08,108 under Section 26 of the Special Economic Zones Act, 2005 (“**the SEZ Act**”) read with Rules 22, 25, 34 and 47 of the Special Economic Zones Rules, 2006 (“**the SEZ Rules**”) and Section 28(1) of the Customs Act, 1962 (“**the Customs Act**”); along with interest under Section 28AA of the Customs Act; recover Drawback claimed thereon amounting to INR 2,916 under Rule 25 of the SEZ Rules; and proposing to impose penalty under Section 114A of the Customs Act read with Section 112(a) thereof on the basis of allegations made therein. The Notice also proposes to enforce Bond-cum-Legal Undertaking in Form H (“**Bond-Cum-Legal Undertaking**”) executed by PI Industries, under Section 143 of the Customs Act.

However, before making submission, it is appropriate to narrate brief facts of the case, allegations and proposed action in the Notice.

1. Background

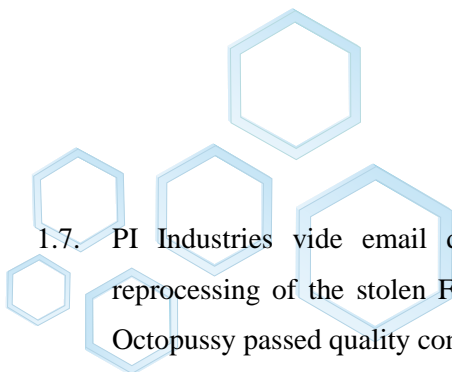
- 1.1. PI Industries is interalia engaged in the manufacture of Agrochemicals, Fine Chemicals and Intermediate Chemicals including AE 747 Ether (“**Ether**”) and Pyroxasulfone Technical (“**Octopussy**”) [*collectively* “**the Finished Products**”] in unit at Plot No. 29/2, Sterling SEZ and Infrastructure Limited, Jambusar, District- Bharuch, Gujarat (“**the SEZ Unit**”) [**“the Sterling SEZ”**], in terms of Letter of Approval (“**LOA**”) No. SSEZ/DC/UA/012/2016-17 dated April 11, 2017 granted by the Development Commissioner, Sterling SEZ (“**the Development Commissioner**”).
- 1.2. PI Industries engaged M/s Liladhar Paso Forwarder Private Limited (“**the Transporter**”) for transport of Ether weighing 19,040 kgs. and valued at INR 7,73,89,032 cleared under Invoice Nos.

73353606 and 73530607 both dated August 16, 2025 to Bayer Crop Science Limited (“**Bayer**”) from the SEZ Unit to the Hazira Port for export.

- 1.3. PI Industries also received order from M/s K-I Chemical INC., USA for supply of Octopussy on June 28, 2023, and the Noticee through the Transporter shipped two consignments – under Invoice No. 73530609 weighing 24,000 Kgs. valued at INR 17,24,38,338 on August 19, 2023; and under Invoice No. 73530615 weighing 24,000 kgs. valued at 17,26,20,000 – on August 28, 2023. _
- 1.4. However, after despatch of the Finished Products in Containers (“**the Containers**”) from the SEZ Unit, the drivers engaged by the Transporter diverted the Containers; took out the Finished Products from bags and replaced with cement bags filled with sand and transported the Containers to Hazira Port, from where the same were exported.
- 1.5. On September 28, 2023, PI Industries received an email from Bayer informing receipt of cement bags filled with sand instead of the Finished Products. Accordingly, PI Industries filed two separate FIRs dated October 18, 2023 to report theft of Ether; and dated October 31, 2023 to report theft of Octopussy, with the Police. Further, vide email dated November 30, 2023, PI Industries informed the Authorised Officer, Sterling SEZ (“**the Authorised Officer**”), about theft of the Finished Products, as detailed below.

Sr. No.	Finished Product	Invoice No.	Weight (Kgs.)	Value (INR)	Date of Removal
1.	AE747 Ether	73353606 and 73530607	19,040	7,73,89,032	August 17, 2023
2.	Octopussy	73530609	24,000	17,24,48,613	August 19, 2023
3.	Octopussy	73530615	24,000	17,26,20,000	August 28, 2023

- 1.6. Pursuant to investigation by the Police, the stolen Finished Products were recovered, which were released to PI Industries on November 24, 2023 in terms of order dated November 7, 2023 (“**the Release Order**”) of the Chief Judicial Magistrate, Mangrol. PI Industries vide email dated November 28, 2023 requested the Authorised Officer to allow bringing back of the Finished Products released vide the Release Order in the SEZ Unit, which permission was granted. Thereafter, on receipt of the stolen Finished Products in the SEZ Unit, two separate Panchnama dated December 4, 2024 and December 5, 2024 were drawn by the Preventive Officer to verify quantity of the stolen Finished Products received back in the SEZ Unit and to collect samples which were sent to various laboratories for testing. However, due to absence of testing facilities in Government laboratories, testing facilities of PI Industries were utilized by the Authorised Officer for testing of the stolen Finished Products.



1.7. PI Industries vide email dated January 3, 2024 informed the Authorised Officer that upon reprocessing of the stolen Finished Products out of 48,000 kgs. of Octopussy only 45,601 kgs. of Octopussy passed quality control, relevant portion of which reads:

From: OSD, Sterling SEZ
To: Riken Shah
Subject: Re: FW: news of stealing agrochemicals meant for export- M/r
Date: 08 January 2024 16:40:08
Attachments: image002.png
 image003.png
 image004.png
 image005.png
 image006.png
 image335977.png
 letter dated 08.01.2024.pdf

CAUTION: This email originated from outside of the organization. Do not click links or open attachments unless you recognize the sender and know the content is safe.

Gentleman,
 please find letter dated 08.01.2024 on above mentioned subject
 regards
 AO/SO
 sterling SEZ

On Wed, Jan 3, 2024 at 5:08 PM Riken Shah <riken.shah@piind.com> wrote:

Dear Sir,

This has reference to point no. 4 of our below E-mail and our ongoing discussions.

We would like to inform you that reprocessing of the product Pyroxasulfone Technical have been completed in the SEZ Unit and stuffed in the following containers, which are lying at SEZ Unit for sealing and export.

#	Container no.	Qty	Shipping bill no.	Shipping bill dt..
1	FANU3451771	24,000 KGS	4000386	31-Dec-23
2	HLBU1996873	24,000 KGS	4000387	31-Dec-23
		48000 KGS		

Please arrange to allow to export of both the Shipping Bill Nos. 4000383 and 4000387 both dated December 31, 2023 at the earliest.

Further, after reprocessing of entire quantity of 48000 kgs., we had obtained 45,601 kgs., which has been passed quality control and is dispatchable quantity. However, to dispatch FCL lot of 24,000 kgs., we added additional quantity of 2,399 Kgs. from fresh production.

1.8. Subsequently, vide email dated March 5, 2025, PI Industries informed the Authorised Officer that the quantum of Octopussy post reprocessing which did not pass quality control is 2,315 kgs. and not 2,399 kgs. as communicated earlier vide email dated January 3, 2024.

1.9. Similarly, after re-processing stolen and recovered Ether, PI Industries vide email dated May 6, 2024, informed the Authorised Officer of material not usable due to contamination and material loss after reprocessing, relevant portion of which reads:

On Mon, May 6, 2024 at 4:03 PM Riken Shah <riken.shah@piind.com> wrote:

Dear Sir,

Further to below E-mail, we would like to inform you that re-processing of our another Export product named as ' 747 Ether' has been completed & we have lost 4988.48 kgs.

Particulars	Qty (In kgs)
Short Qty received	60.98
Not usable due to contamination	1377.52
Material loss after processing	3549.98
TOTAL	4988.48

We will shortly share valuation and duties for Inputs (Imported or domestically procured raw-materials) used on lost goods.

1.10. Thereafter, the Authorised Officer vide letters dated January 8, 2024, December 30, 2024 and December 6, 2024 requested PI Industries to submit details of imported and indigenous raw material (“the Inputs”) used in goods found short after reprocessing of the recovered Finished Products; details of the indigenous inputs used in the manufacture of stolen Finished Products on which drawback was claimed, and details of insurance claims made with the insurance company. Accordingly, PI Industries vide email dated March 5, 2025 submitted statement showing the Inputs used in reprocessing of the recovered Finished Products, details of drawback claimed on the Inputs used in the manufacture of stolen Finished Products, and insurance claimed and settled.

1.11. After holding pre-consultation, PI Industries has now been served with the Notice.

2. Allegations and proposed action in the Notice

2.1. The following allegations have been made in the Notice against PI Industries:

- benefit of exemption of Customs Duty on imported Inputs is available to the SEZ Unit only when the Inputs are utilised in authorised operations
- the Inputs procured duty free from domestic tariff area (“DTA”) and imported, used in manufacture of the stolen Finished Products i.e. 2,315 kgs. of Octopussy and 4,988 kgs. of

Ether, does not amount to use for authorised operations, and deemed to have been diverted for purpose other than authorised operations

- contravened Section 7 and 26 of the SEZ Act; and Rule 22, 25, 27, 34 and 47 of the SEZ Rules as did not comply with prescribed conditions, and
- did not comply with conditions of the Bond-Cum-Legal Undertaking as failed to account for the Inputs used in authorised operations and failed to observe provisions of the Customs Act in respect of procurement of goods.

2.2. Based on above allegations, the Notice proposes the following actions against PI Industries:

- Demand of differential Customs Duty amounting to INR 43,08,108 equal to Duty foregone on the Inputs used in the stolen Finished Products which did not meet the quality standards, under Section 26 of the SEZ Act read with Section 28(1) of the Customs Act and Rules 22, 25, 34 and 47 of the SEZ Rules along with interest under Section 28 AA of the Customs Act.
- Demand and recovery of Drawback amounting to INR 2,916 claimed on the stolen Finished Products under Rule 25 of the SEZ Rules.
- Imposition of penalty under Section 114A read with Section 112 (a) of the Customs Act, and
- Enforcing the Bond-Cum-Legal Undertaking furnished towards liabilities under Section 143 of the Customs Act.

3. Reply to the Notice

At the outset, the Noticee denies allegations made in the Notice being devoid of merit, and not tenable under the governing provisions of law. PI Industries is submitting reply to the Notice on the following grounds which are in the alternative and without prejudice to one another and retains right to amend, modify, alter and add grounds during adjudication thereof.

However, before making submissions, the Noticee is reproducing and discussing relevant legal provisions hereinafter.

3.1. Relevant Legal Provisions and discussions

3.1.1. Section 7 of the SEZ Act reads:

“7. Exemption from taxes, duties or cess — Any goods or services exported out of, or imported into, or procured from the Domestic Tariff Area by —

- (i) a Unit in a Special Economic Zone; or*
- (ii) a Developer,*

shall, subject to such terms, conditions and limitations, as may be prescribed, be exempt from the payment of taxes, duties or cess under all enactments specified in the First Schedule.”

Thus, Section 7 of the SEZ Act provide for exemption from payment of taxes, duties, or cess on any goods or services that are exported out of, imported into, or procured from DTA by a SEZ Unit.

3.1.2. Section 26 of the SEZ Act reads:

“26. Exemptions, drawbacks and concessions to every Developer and entrepreneur.—

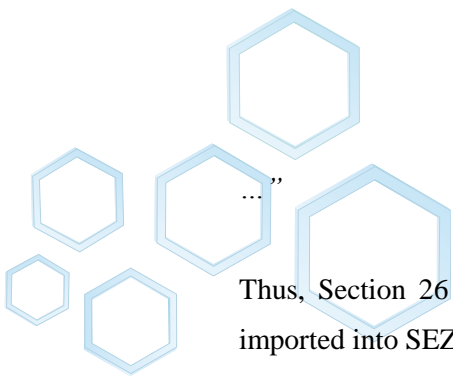
(1) Subject to the provisions of sub-section (2), every Developer and the entrepreneur shall be entitled to the following exemptions, drawbacks and concessions, namely:—

(a) exemption from any duty of customs, under the Customs Act, 1962 (52 of 1962) or the Customs Tariff Act, 1975 (51 of 1975) or any other law for the time being in force, on goods imported into, or services provided in, a Special Economic Zone or a Unit, to carry on the authorised operations by the Developer or entrepreneur;

(b) exemption from any duty of customs, under the Customs Act, 1962 (52 of 1962) or the Customs Tariff Act, 1975 (51 of 1975) or any other law for the time being in force, on goods exported from, or services provided, from a Special Economic Zone or from a Unit, to any place outside India;

...

(d) drawback or such other benefits as may be admissible from time to time on goods brought or services provided from the Domestic Tariff Area into a Special Economic Zone or Unit or services provided in a Special Economic Zone or Unit by the service providers located outside India to carry on the authorised operations by the Developer or entrepreneur;



Thus, Section 26 of the SEZ Act provide for exemption from Customs Duty to goods imported into SEZ to carry out authorised operations by a SEZ Unit.

3.1.3. Rule 22 of the SEZ Rules reads:

“22. Terms and conditions for availing exemptions, drawbacks and concessions to every Developer and entrepreneur for authorized operations.-

(1) Grant of permission to operate including availing exemption, drawbacks and concession to the entrepreneur or Developer shall be subject to the following conditions, namely:-

(i) the Unit shall execute a Bond-cum-Legal Undertaking in Form H, with regard to its obligations regarding proper utilization and accountal of goods, including capital goods, spares, raw materials, components and consumables including fuels, imported or procured duty free and regarding achievement of positive net foreign exchange earning;

(ii)...

(iii) the Bond-cum-Legal Undertaking shall be jointly accepted by Development Commissioner and by the Specified Officer:

Provided that the Bond-cum-Legal Undertaking executed by the Unit or the Developer including Co-Developer shall cover one or more of the following activities, namely: -

(a) the movement of goods between port of import or export and the Special Economic Zone;

(b) the authorized operations, as applicable to Unit or Developer;

(c) temporary removal of goods or goods manufactured in Unit for the purposes of repairs or testing or calibration or display or processing or sub-contracting of production process or production or other temporary removals into Domestic Tariff Area without payment of duty;

(d) re-import of exported goods.

(iv) ...

(2) Every Unit and Developer shall maintain proper accounts, financial year wise, either in register form in hard copy or time stamped digital form, which should clearly indicate in value terms the goods imported or procured from Domestic Tariff Area, consumption or utilization of goods, production of goods, including by-products, waste or scrap or remnants, disposal of goods manufactured or produced, by way of exports, sales or supplies in the domestic tariff area or transfer to Special Economic Zone or Export Oriented Unit or Electronic Hardware Technology Park or

Software Technology Park Units or Biotechnology Park Unit, as the case may be, and balance in stock:

Provided that Unit and Developer shall maintain such records for a period of seven years from the end of relevant financial year:

...”

Rule 22 of the SEZ Rules provide for execution of the Bond-cum-Legal Undertaking.

3.1.4. Rule 25 of the SEZ Rules reads:

“25. Where an entrepreneur or Developer does not utilize the goods or services on which exemptions, drawbacks, cess and concessions have been availed for the authorized operations or unable to duly account for the same, the entrepreneur or the Developer, as the case may be, shall refund an amount equal to the benefits of exemptions, drawback, cess and concessions availed without prejudice to any other action under the relevant provisions of the Customs Act, 1962, the Customs Tariff Act, 1975, the Central Excise Act, 1944, the Central Excise Tariff Act, 1985, the Central Goods and Services Tax Act, 2017 (12 of 2017), Integrated Goods and Services Tax Act, 2017 (13 of 2017), State Goods and Services Tax Acts, Union Territory Goods and Services Tax Act, 2017 (14 of 2017) and the Foreign Trade (Development and Regulation) Act, 1992 (22 of 1992) and the enactments specified in the First Schedule to the Act, as the case may be:

Provided that if there is a failure to achieve positive net foreign exchange earning, by a Unit, or stipulated Value addition, such entrepreneur shall also be liable] for penal action under the provisions of Foreign Trade (Development and Regulation) Act, 1992 and the rules made there under.”

Rule 25 of the SEZ Rules provide that where interalia an entrepreneur does not utilize the goods on which exemptions, drawbacks, cess and concessions have been availed for authorized operations or unable to account for the same, such entrepreneur will refund amount equal to benefits availed.

3.1.5. Rule 27 of the SEZ Rules reads:

“27. Import and Procurement. -

(1) A Unit or Developer may import or procure from the Domestic Tariff Area without payment of duty, taxes or cess or procure from Domestic Tariff Area after availing export entitlements or

procure from other Units in the same or other Special Economic Zone or from Export Oriented Unit or Software Technology Park unit or Electronic Hardware Technology Park unit or Biotechnology Park unit, or warehouse all type of goods, including capital goods (new or second hand), raw materials, semi-finished goods, (including semi-finished Jewellery) component, consumables, spares goods and materials for making capital goods required for authorized operations except prohibited items under the Import Trade Control (Harmonized System) Classifications of Export and Import Items.

Provided that exemptions from payment of duty, taxes or cess drawbacks and concessions on all types of goods and services, required for setting up and maintenance of the factory building allowed to a unit shall also be available to the contractors including sub-contractors appointed by such unit and all the documents in such cases shall bear the name of the unit along with the contractor and these shall be filed jointly in the name of the unit and the contractor:

Provided further that the unit shall be responsible and liable for proper utilization of such goods and services in all cases.

Provided also that items prohibited for import can be procured by a Special Economic Zone unit or Developer from a place outside India to the Special Economic Zone with the prior approval of Board of Approval.

Provided also that for supply of Restricted Items by a Domestic Tariff Area Unit to Special Economic Zone Developer or Unit, the Domestic Tariff Area Unit may supply such items to a Special Economic Zone Developer or Unit for setting up infrastructure facility or for setting up of a Unit and it may also supply raw material to Special Economic Zone Unit for undertaking a manufacturing operation except refrigeration, cutting, polishing and blending, subject to the prior approval of Board of Approval:

Provided also that supplies from Domestic Tariff Area to Special Economic Zones shall attract export duty, in case, export duty is leviable on items attracting export duty.

...

(9) Where goods or parts thereof, imported or procured from Domestic Tariff Area are found to be defective or otherwise unfit for use or which have been damaged or become defective after such import or procurement, may be sent outside the Special Economic Zone without payment of duty for repairs or replacement, to the supplier or his authorized dealer or be destroyed:

Provided that where overseas supplier or the Domestic Tariff Area supplier of goods does not insist for re-export or for supply back to the Domestic Tariff Area of goods, the same

shall not be insisted upon and such goods shall be destroyed with the permission of the Specified Officer:

Provided further that the goods which are sent outside the Special Economic Zone for repairs are returned to the Special Economic Zone, within 180 days from the date of removal from the Special Economic Zone, under intimation to the specified officer. In case goods are sent out for replacement then on replaced goods, no Duty Entitlement Passbook Scheme, duty drawback or other export incentives shall be claimed for this purpose]

Provided further that destruction shall not be permitted in case of precious and semi-precious stones and precious metals:

Provided also that in case of return of goods procured from the Domestic Tariff Area, the same shall be allowed on refund of the export entitlement which have been received or availed or claimed by the Domestic Tariff Area supplier or the Unit or the Developer, as the case may be.

...”

Rule 27 of the SEZ Rules provide that a SEZ unit can import or procure goods from DTA without payment of duty, taxes or cess.

3.1.6. Rule 34 of the SEZ Rules reads:

“34 Utilisation of Goods –

The goods admitted into a Special Economic Zone shall be used by the Unit or the Developer only for carrying out the authorized operations but if the goods admitted are utilized for purposes other than for the authorized operations or if the Unit or Developer fails to account for the goods as provided under these rules, duty shall be chargeable on such goods as if these goods have been cleared for home consumption:

Provided that in case a Unit is unable to utilise the goods or services imported or procured from Domestic Tariff Area, it may, -

(i) export the goods; or

(ii) sell the same to other Unit or to an Export Oriented Unit or Electronic Hardware Technology Park or Software Technology Park or Bio Technology Park, without payment of duty; or

(iii) sell to an Export Oriented Unit or Electronic Hardware Technology Park or Software Technology Park or Bio Technology Park –

(a) on payment of Integrated Goods and Services Tax as applicable under section 5 of the Integrated Goods and Services Tax Act, 2017 (13 of 2017); and

(b) without payment of duty of customs leviable thereon under the First Schedule to the Customs Tariff Act, 1975 (51 of 1975) and additional duty, if any, leviable thereon under sub-sections (1), (3) and (5) of section 3 of the said Act and such sale shall also be made

without payment of integrated tax and compensation cess leviable thereon under sub-sections (7) and (9) of section 3 of the said Act as per notification issued by the Department of Revenue and such exemptions, as applicable;

(iv) dispose of the same in the Domestic Tariff Area on payment of applicable duties or taxes on the basis of an import licence submitted by the Domestic Tariff Area buyer, wherever applicable.”

Rule 34 of the SEZ Rules provide that if goods admitted into a SEZ are utilized for purposes other than authorized operations or if SEZ unit fails to account for such goods, Customs Duty shall be chargeable on such goods as if such goods have been cleared for home consumption. Thus, in terms of Rule 34 of the SEZ Rules, Customs Duty would be payable only on happening of any of the following two circumstances:

- a) Such goods admitted into SEZ are utilized for purposes other than authorized operations, or
- b) if such SEZ unit fails to account for such goods.

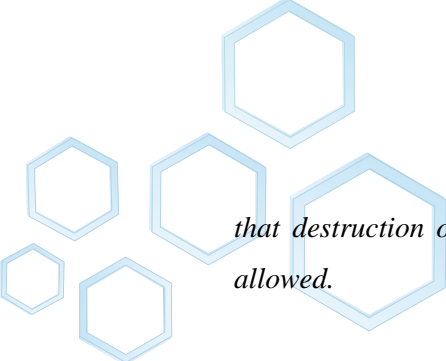
3.1.7. Rule 39 of the SEZ Rules reads:

“39. Destruction of goods.-

(1) After advance intimation of not less than seven days to the Specified Officer, a Unit may destroy, without payment of duty, goods including capital goods, procured from Domestic Tariff Area or goods imported or goods manufactured or produced by the Unit including rejects or waste or scrap or remnants within the Special Economic Zone:

Provided that obtaining environmental clearance if any required for such destruction shall be the responsibility of the Unit.

(2) Where it is not possible to destroy goods within the Special Economic Zone, destruction of goods under sub-rule (1) shall be carried out, outside the Special Economic Zone with the permission of Specified Officer and in the presence of the Authorized Officer: Provided



that destruction of precious and semi-precious stones and precious metals shall not be allowed.

(3)The Unit shall be required to pay back the drawback and Duty Exemption Pass Book credit availed in of case destruction of goods procured from Domestic Tariff Area.

(4)Where any goods procured from Domestic Tariff Area under claim of drawback or Duty Entitlement Passbook Scheme credit under any export promotion scheme are destroyed due to natural calamities, the zone unit shall be required to pay drawback or Duty Entitlement Passbook Scheme credit or any other export incentive claimed on such goods:

Provided that in case where the Unit has procured the goods from Domestic Tariff Area against payment of foreign exchange, the Unit shall not be liable to pay back drawback or Duty Entitlement Passbook Scheme credit or any export incentive claimed on such goods”

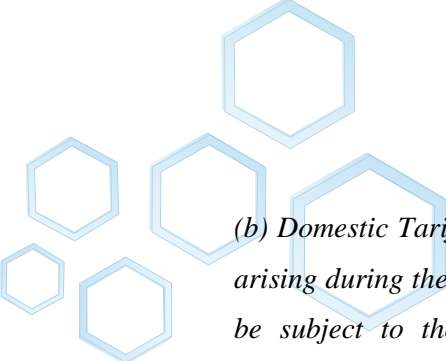
Rule 39 of the SEZ Rules permit an SEZ unit to destroy goods, including capital goods, waste, scrap, remnants, and rejects - whether procured from DTA, imported, or manufactured within the SEZ - without payment of duty within the SEZ or outside the SEZ.

3.1.8. Rule 47 of the SEZ Rules reads:

“47. Sales in Domestic Tariff Area.-

(1) A Unit may sell goods and services including rejects or wastes or scraps or remnants or broken diamonds or by products arising during the manufacturing process or in connection therewith, in the Domestic Tariff Area on payment of Customs duties under section 30, subject to the following conditions, namely. –

(a) Domestic Tariff Area sale under sub-rule (1), of goods manufactured by a Unit shall be on submission of import licence, as applicable to the import of similar goods into India, under the provisions of the Foreign Trade Policy: Provided that goods imported or procured from the Domestic Tariff Area and sold as such without being subjected to any manufacturing process shall be subject to the provisions of the Foreign Trade Policy as applicable to import of similar goods into India.



(b) Domestic Tariff Area sale under sub-rule (1) of rejects or scrap or waste or remnants arising during the manufacturing process or in connection there-with by the Unit shall not be subject to the provisions of the Import Trade Control (Harmonized System) of Classification of Export and Import Items: Provided that the Central Government may notify restrictions, as it deems fit on all or any class of such goods mentioned under this clause.

(2) Scrap or dust or sweeping of gold or silver or platinum may be sent to Government of India Mint or Private Mint from a Unit and returned in standard bars in accordance with the procedure specified by Customs authorities or may be sold in the Domestic Tariff Area on payment of duty on the gold or silver or platinum content in the said scrap: Provided that the value of samples of gold or silver or platinum sweepings or scrap or dust taken at the time of clearance and sent to the Government Mint or Private Mint for assaying and assessment shall be finalized on the basis of reports received from the Government Mint or Private Mint, as the case may be.

...”

Rule 47 of the SEZ Rules governs sale of goods and services by a SEZ Unit into DTA including rejects, waste, scrap, remnants, broken diamonds, and by-products arising during manufacturing process or in connection therewith, into DTA on payment of Customs Duties under Section 30 of the SEZ Act.

3.1.9. Thus, in summary under the SEZ Act and the SEZ Rules exemption from Duty on imported or indigenously procured goods is subject to the following conditions:

- SEZ unit executes Bond-Cum-Legal Undertaking in specified format
- Such goods are procured Duty free for authorised operations, and
- Such goods are properly utilized and accounted for.

Therefore, a SEZ unit can import any goods Duty free for use in authorised operations which should be duly accounted for. There is no other condition or limitation provided for duty free procurement from DTA or import of goods by a SEZ unit under the SEZ Act and the SEZ Rules. In case any of the above three conditions are not complied with then such SEZ unit shall be liable to refund an amount equal to exemption or benefit availed in terms of Rule 25 of the SEZ Rules. Similarly, Rule 27 of the SEZ Rules provide that SEZ unit shall be responsible and liable for proper utilization of goods procured Duty free. Further, Rule 34 of the SEZ Rules provide that if goods admitted into a SEZ are

not utilized for authorized operations or if such SEZ unit fails to account for such goods, Customs Duty shall be payable on such goods as if such goods have been cleared for home consumption. Furthermore, Rule 39 of the SEZ Rules carves out an exception and provide for destruction of interalia manufactured goods within or outside SEZ under sub-Rules (1) and (2) thereof. Rule 39(3) of the SEZ Rules provide for payback of Drawback or Duty Exemption Passbook Credit in case of destruction of goods procured from DTA. However, Rule 39(4) of the SEZ Rules provide that if goods procured from DTA under claim of drawback or Duty Entitlement Passbook Scheme Credit or

under any export promotion scheme are destroyed due to natural calamities, such SEZ unit will be required to payback Drawback or Duty Entitlement Passbook Scheme Credit or any export incentive claimed on such goods except where such goods are procured from DTA against payment of foreign exchange.

3.2. **Customs Duty not payable**

3.2.1. In the Notice an allegation has been made that PI Industries has failed to utilise the Inputs procured duty free from DTA and imported, used in manufacture of stolen Finished Products which failed to meet prescribed quality standards, for authorised operations. Hence, an amount equal to Duty forgone on Inputs used in stolen Finished Products, which did not meet quality standards after reprocessing is proposed to be demanded and recovered from the Noticee.

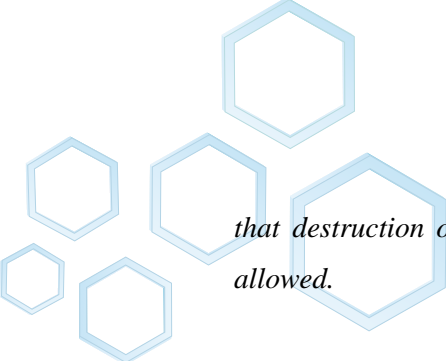
3.2.2. Before making submissions on why Customs Duty is not payable, the Noticee is reiterating Rule 39 of the SEZ Rules at the cost of repetition, which reads:

“39. Destruction of goods.-

(1) After advance intimation of not less than seven days to the Specified Officer, a Unit may destroy, without payment of duty, goods including capital goods, procured from Domestic Tariff Area or goods imported or goods manufactured or produced by the Unit including rejects or waste or scrap or remnants within the Special Economic Zone:

Provided that obtaining environmental clearance if any required for such destruction shall be the responsibility of the Unit.

(2) Where it is not possible to destroy goods within the Special Economic Zone, destruction of goods under sub-rule (1) shall be carried out, outside the Special Economic Zone with the permission of Specified Officer and in the presence of the Authorized Officer: Provided



that destruction of precious and semi-precious stones and precious metals shall not be allowed.

(3)The Unit shall be required to pay back the drawback and Duty Exemption Pass Book credit availed in of case destruction of goods procured from Domestic Tariff Area.

(4)Where any goods procured from Domestic Tariff Area under claim of drawback or Duty Entitlement Passbook Scheme credit under any export promotion scheme are destroyed

due to natural calamities, the zone unit shall be required to pay drawback or Duty Entitlement Passbook Scheme credit or any other export incentive claimed on such goods:

Provided that in case where the Unit has procured the goods from Domestic Tariff Area against payment of foreign exchange, the Unit shall not be liable to pay back drawback or Duty Entitlement Passbook Scheme credit or any export incentive claimed on such goods”

From perusal of Rule 39 of the SEZ Rules it transpires that Rule 39 (1) thereof permits an SEZ unit to destroy interalia goods manufactured or produced by such unit within the SEZ without payment of duty and Rule 39(2) thereof permits a SEZ unit to destroy goods outside the SEZ with the permission of the Specified Officer and in the presence of the Authorised Officer.

3.2.3. In the instant case, the Noticee exported 48,000 kgs. of Octopussy and 19,040 kgs. of Ether, which were stolen and subsequently recovered and brought within the SEZ Unit. Thereafter PI Industries carried out reprocessing of the recovered Finished Products as per quality standards maintained for its export goods. Post reprocessing, only 45,685 kgs. of Octopussy passed quality control and balance quantity of Octopussy i.e. 2,315 kgs. being unfit for export was incinerated within the SEZ Unit in terms of Rule 39(1) of the SEZ Rules.

3.2.4. Similarly, post reprocessing only 14,052 kgs. of Ether passed quality control and balance quantity of Ether i.e., 4,988 kgs being unfit for export was incinerated within the SEZ Unit in terms of Rule 39(1) of the SEZ Rules.

3.2.5. Below is the tabular representation of the above facts:

Product	Quantity exported/ stolen (Kgs.)	Quantity recovered and brought to the SEZ Unit (Kgs.)	Quantity recovered after reprocessing (Kgs.)	Quantity destroyed being unfit for export within the SEZ Unit (Kgs.)
AE 747 Ether	19,040	19,520	14,052	4,988
Pyroxasulfone Technical (Octopussy)	24,000 + 24,000 = 48,000	49,535	45,685	2,315

3.2.6. In view of above and the fact that the Finished Products not passing quality control were destroyed within the SEZ Unit in terms of Rule 39(1) of the SEZ Rules, the Noticee submit that no Customs Duty is payable by PI Industries. Accordingly, demand of Duty foregone on the Inputs used in the manufacture of the stolen Finished Products not passing the quality control and proposal to enforce Bond-Cum-Legal Undertaking is bad in law and further proceedings under the Notice are liable to be dropped.

3.3. Drawback claimed on domestic Inputs

The Noticee has paid back the Drawback claimed on the Inputs procured from DTA used in manufacture of the Finished Products not passing quality control along with interest vide Challan No. 04/2025-26 dated 06.10.2025 , copy enclosed as **Annexure – 1**.

3.4. No failure to utilise the Inputs for authorised operations

3.4.1. In Para 6.3 of the Notice, it is alleged that Duty foregone on the Inputs used in the Finished Products not passing the quality control tests is deemed to be diverted for purpose other than authorised operations and therefore the Noticee is liable to pay an amount equal to Duty foregone on such Inputs.

3.4.2. In this regard the Noticee submit that Section 26 of the SEZ Act interalia provide for exemption from Customs Duty to imported goods or Central Excise Duty on goods procured from DTA and brought into SEZ to carry out authorised operations, subject to prescribed terms and conditions.

3.4.3. Rule 22 of the SEZ Rules provide that exemption, drawbacks and concessions will be granted to a SEZ unit subject to execution of Bond-Cum-Legal Undertaking regarding obligation for proper utilization; accountal of goods imported or procured duty free from DTA; and achievement of positive

net foreign exchange earnings and such SEZ unit shall maintain financial year wise proper accounts containing specified information.

3.4.4. Rule 27 of the SEZ Rules provide that a SEZ unit can import or procure goods from DTA without payment of Duty for authorized operations. Further, Rule 27 of the SEZ Rules provide that SEZ unit shall be responsible and liable for proper utilization of goods procured Duty free.

3.4.5. Accordingly, to avail exemption from duty on imported or indigenously procured goods, a SEZ unit is allowed to interalia procure any goods subject to the following conditions:

- SEZ unit executes Bond-Cum-Legal Undertaking
- Such goods are procured duty free for authorised operations, and
- Such goods are properly utilized and accounted for.

Thus, a SEZ unit can import or locally procure any goods duty free for authorised operations, which should be utilised for authorised operations or accounted for. There is no other condition or limitation provided for duty free procurement from DTA or import of goods by a SEZ unit under the SEZ Act and the SEZ Rules.

3.4.6. In case any of the above three conditions are not complied with, then such SEZ unit shall be liable to pay an amount equal to benefit of exemption and concession availed in terms of Rule 25 of the SEZ Rules.

3.4.7. In the instant case, the Noticee procured the Inputs for authorised operations in the SEZ unit which is not in dispute. Hence, the first limb of condition prescribed under Section 26 of the SEZ Act stands complied with.

3.4.8. Second limb of prescribed condition for locally procuring or importing goods Duty free, SEZ unit has to comply with conditions prescribed in Rule 22 of the SEZ Rules. As extracted above Rule 22 of the SEZ Rules provide that Duty free material should be properly utilised and accounted for. In the instant case, the Noticee procured the Inputs duty free for intended use of authorised operations of the SEZ Unit. However, on account of theft and subsequent recovery and reprocessing of the Finished Products, some of the Finished Products did not pass quality controls and hence had to be destroyed in terms of Rule 39(1) of the SEZ Rules, which fact is not disputed.

3.4.9. Further, in terms of Rule 22(2) of the SEZ Rules, the Noticee has maintained proper and regular accounts financial year wise clearly indicating value, goods imported or procured from DTA, consumption or utilization of such goods, production of goods including by products, waste or scrap or remnants, disposal of goods manufactured or produced by way of export, sale or supply in the DTA and balance in stock. Further, the Noticee has appropriately accounted for the Inputs used in the Finished Products not passing the quality control which fact is not disputed in the Notice. Therefore, conditions of proper utilisation and accountal of the Inputs procured duty free prescribed under Rule 22 of the SEZ Rules has been complied with.

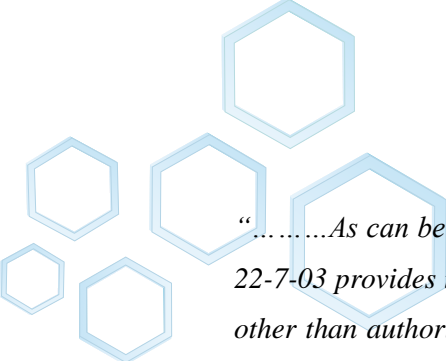
3.4.10. Furthermore, the Noticee submit that Rule 34 of the SEZ Rules provide for the following two circumstances under which goods admitted into a SEZ will be chargeable to duty as if the goods have been cleared for home consumption:

- Goods are utilized for purposes other than for authorised operations, **OR**
- The Unit fails to account for the goods as provided under these Rules.

3.4.11. The only ground on which demand is proposed to be made in the Notice is that Duty foregone on the Inputs used in the Finished Products not passing the quality control tests is deemed to have been diverted for purpose other than authorised operations and has thus not been utilised in authorised operations and hence amount equal to Duty foregone becomes payable. There is no allegation in the Notice that the Noticee failed to account for the Inputs as provided Rule 22 and Rule 34 of the SEZ Rules. Hence, the Noticee is not making any submissions on the same.

3.4.12. The Noticee submit that the allegation made in the Notice that the Inputs used in the Finished Products not passing the quality control tests is deemed to have been diverted for purpose other than authorised operations and has thus not been utilised in authorised operations is flawed and made without appreciating Rule 39(1) of the SEZ Rules, which specifically permits a SEZ unit to destroy manufactured goods within the SEZ without payment of duty under Rule 39 of the SEZ Rules. Hence, the ground on which proposal to demand and recover Customs Duty is made in the Notice is bad on the face of it and further proceedings under the Notice are liable to be dropped on this ground alone.

3.4.13. In this regard the Noticee places reliance on decision of the Hon'ble Customs, Excise and Service Tax Appellate Tribunal (“**the Tribunal**”) in the case of **Satguru Polyfab Private Limited Vs. CC [2011 (267) ELT 273 (Tri.)]** relevant extracts of which reads:



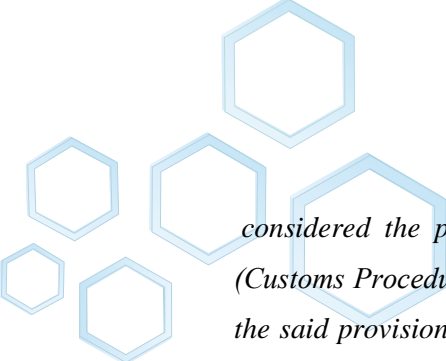
“.....As can be seen Rule 8 of SEZ Rules 2003 and Notification No. 52/2003-N.T. dated 22-7-03 provides that where goods admitted duty free in the SEZ are used for the purposes other than authorised operations or where the units fail to account the goods, duty has to be paid as if the goods have been removed for home consumption. In this case the custom’s notification is recognizing the fact that when the goods are lying in the SEZ they have to be treated as existing in the foreign territory and only when the same are not used or not accounted for, they have to be treated as cleared for home consumption. Therefore the whole issue in this case boils down to the fact as to whether the fire accident which lead to the destruction of goods can be said to be a breach of Rule 8 of SEZ Rules 2003. We take note of the fact that the Rule does not provide for a situation other than unauthorized use or failure to account for. In this case there is no denial of the fact that the Customs Authorities were informed of the fire accident on 5-12-04. In fact on the same day, stock verification was done in one of the three appellant units. In respect of the remaining the stock verification was done on 31-12-04 and 6-1-05. In none of the three orders there is an observation that the fire was manmade or there was a mala fide intention or it was not

accidental. Rule 8 provides for charging of duty when the goods imported/procured are utilized for the purposes other than authorised operations or failure to account for the goods. In this case it cannot be said that goods were utilized for purposes other than authorised operations since the expression used clearly means a deliberate utilization or misuse of the goods procured duty free for unauthorized operations. When there is an accidental fire resulting in destruction of goods, it cannot be said that it amounts to use of goods for unauthorized operations. Similarly, the second term namely failure to account for also cannot be applied since the shortage has been accounted for by fire accident and no evidence has been brought out by Revenue to show that goods have been procured or released elsewhere. Therefore there is no contravention of provisions of Rule 8 at all and this is the rule which authorizes Revenue to demand duty.”

(emphasis supplied)

3.4.14. Similar position has been upheld by the Hon’ble Tribunal in decision in the case of **Jindal International Vs. CC [2013 (290) ELT 729 (Tri)]**, wherein it is held:

“...6. We find that there is no dispute as regards there being shortage of imported goods at the time of visit of the officers and also there is no dispute as regards the fire accident, which took place in the factory premises of the appellants and loss of stocks of imported goods which has occurred due to fire. We find that the adjudicating authority has



considered the provisions of Rule 12 of SEZ Rules, 2003 and Regulation 28 of SEZ (Customs Procedure) Regulations, 2003 to hold that the appellant's case is not covered by the said provisions and hence the goods destroyed due to fire, having not been put to use for the intended purposes, the appellant is liable to pay the Customs duty foregone. We do not find any merits in the reasoning given by the adjudicating authority for more than one reasons. First and foremost, since there is no dispute that there was a fire accident in the appellant's factory and the goods were destroyed and the departmental officers were informed of such fire accident, demand of Customs duty foregone does not arise as the goods were in the factory premises when the fire accident took place. Secondly, we find that an identical issue came up before this Bench in the case of Satguru Polyfab Pvt. Limited (supra) and this Bench has recorded the following findings:-

"13. As can be seen Rule 8 of SEZ Rules, 2003 and Notification No. 52/2003-N.T., dated 22-7-2003 provides that where goods admitted duty free in the SEZ are used for the purposes other than authorised operations or where the units fail to account the goods, duty has to be paid as if the goods have been removed for home consumption. In this case the Custom's notification is recognizing the fact that when the goods are lying in

the SEZ they have to be treated as existing in the foreign territory and only when the same are not used or not accounted for, they have to be treated as cleared for home consumption. Therefore the whole issue in this case boils down to the fact as to whether the fire accident which lead to the destruction of goods can be said to be a breach of Rule 8 of SEZ Rules, 2003. We take note of the fact that the Rule does not provide for a situation other than unauthorized use or failure to account for. In this case there is no denial of the fact that the Customs Authorities were informed of the fire accident on 5-12-2004. In fact on the same day, stock verification was done in one of the three appellant units. In respect of the remaining the stock verification was done on 31-12-2004 and 6-1-2005. In none of the three orders there is an observation that the fire was manmade or there was a mala fide intention or it was not accidental. Rule 8 provides for charging of duty when the goods imported/procured are utilized for the purposes other than authorised operations or failure to account for the goods. In this case it cannot be said that goods were utilized for purposes other than authorised operations since the expression used clearly means a deliberate utilization or misuse of the goods procured duty free for unauthorized operations. When there is an accidental fire resulting in destruction of goods, it cannot be said that it amounts to use of goods for unauthorized operations. Similarly the second term namely failure to account for also cannot be applied since the shortage has been accounted for by fire accident and no evidence has been brought out by Revenue to show that goods

have been procured or released elsewhere. Therefore there is no contravention of provisions of Rule 8 at all and this is the rule which authorizes Revenue to demand duty.”

It can be noted from the above reproduced ratio of the decision of the Bench that the issue is now squarely covered in favour of the assessee as rightly contended by the learned counsel.

7. In view of the foregoing, the impugned order is liable to be set aside and we do so. Accordingly, the impugned order is set aside and appeal is allowed.”

3.4.15. The Noticee further places reliance on decision of the Hon’ble Tribunal in the case of **Sami Labs Limited Vs. CC [2007 (216) ELT 59 (Tri.)]**, affirmed by the Hon’ble Karnataka High Court vide **[2012 (278) ELT 601 (Kar.)]**, wherein it is held:

“5. We have gone through the records of the case carefully. The appellant’s unit is 100% EOU. 100% E.O.U. enjoys duty free import and procurement of capital goods and raw materials on the condition that they would export the finished goods in terms of the letter of permission given by the

competent authority. The capital goods procured duty free should be used in the manufacture of final products which are to be exported. Similarly the raw materials procured should be used in the manufacture of final goods to be exported. When the goods are not used for the intended purpose, the assessee who procures the goods at concessional rate of duty is liable to discharge the duty burden. In the present appeal, we are concerned only with the Central Excise duty liability as the appellants already got relief in respect of Customs duty. The Central Excise (Removal of Goods at Concessional Rate of Duty for Manufacture of Excisable Goods) Rules, 2001 have been framed by the Central Government under Section 37 of the Central Excise Act, 1944. In terms of Rule 6, if the goods procured are not used by the manufacturer for intended purpose, the manufacturer shall be liable to pay the differential duty. An explanation has been added to the above Rule. We are reproducing the explanation to Rule 6, herein below:-

“Explanation - For the removal of doubts, it is hereby clarified that subject goods shall be deemed to have been used for the intended purpose even if any of the quantity of the subject goods is lost or destroyed by natural causes or by unavoidable accidents [during] transport from the place of procurement to the manufacturer’s premises or from the manufacturer’s premises to the place of procurement] or during handling or storage in the manufacturer’s premises.”

In the present case, the goods were destroyed not during the transport from the place of procurement to the manufacturer's premises or during handling or storage in the manufacturer's premises. The Original Authority has given a finding that the raw materials have been issued for production and the same is under various stages of production. He has also stated that the capital goods have been installed and put to use. He has also given finding that the conditions of Notification No. 22/2003 C.E., dated 31-3-2003 have been fulfilled and hence the question of demanding the Central Excise duty forgone under the said Notification would not arise. The Commissioner (Appeals) on the contrary has held that the expression "handling" in the Explanation means usage of goods and extends up to the point when further process on the goods stop. Therefore according to him, even if the goods were 'work in progress', they would be covered by the expression "during handling" and they would also be hit by the Explanation. They will be considered as having not being used for the intended purpose and duty is rightly demandable. We find that in the fire accident, the imported goods involving Customs duty and indigenous goods involving excise duty were destroyed. The Revenue has no problem in remitting the Customs duty under Section 23 of the Customs Act. As regards the goods indigenously procured, both capital goods and raw materials are involved. On the question that the fire accident occurred in the production premises there is ample evidence and that fact is not under dispute. This clearly indicates that the raw materials have already been issued for the intended purpose. Therefore the materials lost in fire accident were in the form of 'work in progress'. The Revenue's contention and the Commissioner's (Appeals) view that even the 'work in progress' material would be covered by the Explanation to Rule 6 is not correct. Further, we would like to point out that according to Rule 21 of the Central Excise Rules, there is a provision for remission of duty in respect of the goods lost or destroyed by natural causes for unavoidable accidents. Even under Section 23 of the Customs Act, there is a provision of remission of Customs duty on goods lost or destroyed before their clearance. Therefore it does not stand to reason that the duty on indigenously procured duty free raw materials should be demanded when they are destroyed due to unavoidable accident/natural causes on the specious ground that they have not been used for the intended purpose. We find that the order of the Original authority is well reasoned. Therefore we hold that the raw materials/capital goods which are in the premises of production would not be hit by the Explanation to Rule 6. The above goods have actually been used for the intended purpose. The accident is not the making of the appellant and it should be considered to be an act of God. Hence it is not correct to demand the duty forgone. We allow the appeal with consequential relief."

(emphasis supplied)

3.4.16. While the above decisions relate to destruction of goods as a result of fire in a SEZ unit, the principle upheld in these decisions is that when there is an accidental fire resulting in destruction of goods, it cannot be said that it amounts to use of goods for unauthorized operations. The same principle is

applicable in the instant case where the Finished Products were stolen and recovered and post quality control destroyed in the SEZ Unit as the same did not meet quality control standards. Hence, it cannot be said that the Inputs used in the manufacture of the stolen Finished Products, which are destroyed, amounts to use of the Inputs for unauthorized operations.

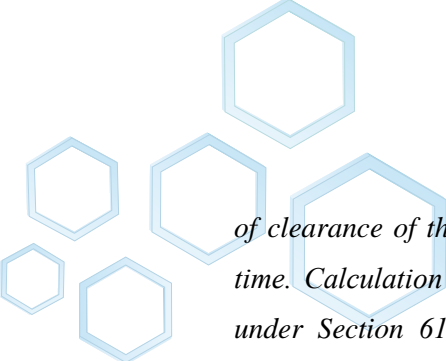
3.4.17. In view of above, there is no failure on the part of the Noticee to utilise the Inputs for authorised operations. Accordingly, demand of Duty foregone on the Inputs used in the stolen and recovered Finished Products not passing the quality control tests and incinerated within the SEZ Unit is bad in law and proposal to enforce the Bond-Cum-Legal Undertaking is not tenable. Accordingly, further proceedings under the Notice are liable to be dropped.

3.5. **Interest not Payable**

3.5.1. The Noticee submit that demand of interest is dependent upon liability for payment of duty. If there is no duty liability no interest can be demanded. The Noticee has made elaborate submissions in the foregoing paragraphs that no Customs Duty is payable by PI Industries and thus, there can be no demand for interest.

3.5.2. In this regard, the Noticee places reliance on decision of the Hon'ble Supreme Court in the case of **Pratibha Processors Vs. UOI [1996 (88) ELT 12 (SC)]**, wherein it is held:

“14. In the above backdrop, let us consider the scope and content of Section 61(2) of the Act as it existed at the relevant time. Section 61(1) prescribes the period during which the goods imported may remain in the warehouse. The normal period in different cases are provided therein. Extension of time in special cases is also provided. If the goods imported remain in warehouse beyond the period provided or extended under Section 61(1), the consequences are specified in Section 61(2) of the Act. As per the provisions of the Act duty is payable (only) when the goods are cleared. If the goods are not cleared within the time granted under Section 61(1) of the Act, and the goods are cleared later, the payment of duty exigible on the goods gets automatically delayed. It is to meet the said contingency. Section 61(2) provides that if the goods warehoused are cleared beyond the time specified or granted under Section 61(1) of the Act, interest not exceeding 18% per annum shall be payable on the amount of duty on the warehoused goods. It is implicit from the language of Section 61(2) of the Act that the interest shall be payable on the amount of duty “payable or due” on the warehoused goods for the period from the expiry of period specified or granted till the date of clearance of the goods from the warehouse. In this case, on the date



of clearance of the goods, no duty is payable. The goods are not exigible to duty at that time. Calculation of interest is always on the principal amount. The “interest” payable under Section 61(1)(2) of the Act is a mere “accessory” of the principal and if the principal is not recoverable/payable, so is the interest on it. This is a basic principle based on common sense and also flowing from the language of Section 61(1)(2) of the Act. The principal amount herein is the amount of duty payable on clearance of goods. When such principal amount is nil because of the exemption, a fortiori, interest payable is also nil. In other words, we are clear in our mind that the interest is necessarily linked to the duty payable. The interest provided under Section 61(2) has no independent or separate existence. When the goods are wholly exempted from the payment of duty on removal from the warehouse, one cannot be saddled with the liability to pay interest on a non-existing duty. Payment of interest under Section 61(2) is solely dependent upon the exigibility or factual liability to pay the principal amount, that is, the duty on the warehoused goods at the time of delivery. At that time, the principal amount (duty) is not payable due to exemption. So, there is no occasion or basis to levy any interest, either. We hold accordingly.”

3.5.3. Accordingly, demand of interest under Section 28AA of the Customs Act made in the Notice is not sustainable and further proceedings thereunder are liable to be dropped.

3.6. **Penalty not imposable**

In the Notice penalty is proposed to be imposed on PI Industries under Section 114A of the Customs Act read with Section 112(a) thereof, separate submission on which are being made hereinafter.

3.6.1. **Penalty not imposable under Section 112(a) of the Customs Act**

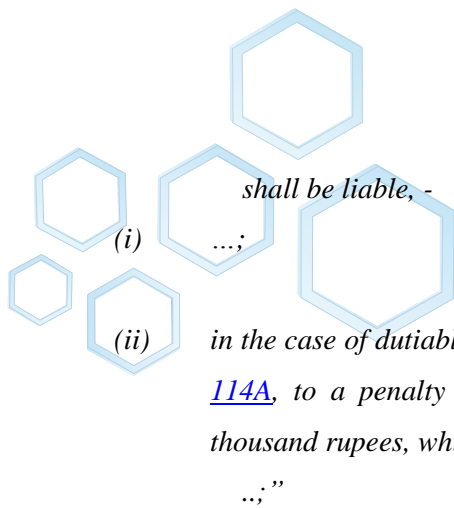
3.6.1.1. Section 112(a) of the Customs Act reads:

“Section 112. Penalty for improper importation of goods, etc.-

Any person, -

(a) who, in relation to any goods, does or omits to do any act which act or omission would render such goods liable to confiscation under [section 111](#), or abets the doing or omission of such an act, or

...



3.6.1.2. At the outset the Noticee submit that penalty under Section 112(a) of the Customs Act can be imposed only when alleged omission or commission of an act by a person renders goods liable for confiscation. Hence, unless offending goods are liable for confiscation, no penalty can be imposed on any person under Section 112(a) of the Customs Act. In the instant case the Notice does not makes any allegation of omission or commission of an act on the part of PI Industries and proposing to confiscate the Finished Products, which did not pass quality control, or any goods for that matter. In the absence of proposal for confiscation of the Finished Products in the Notice, penalty on the Noticee is not imposable under Section 112(a) of the Customs Act.

3.6.1.3. In this regard, the Noticee places reliance on decision of the Hon’ble Tribunal in the case of **Ring Gears India Limited Vs. CC [2017 (356) ELT 158 (Tri.)]**, relevant extract of which reads:

“7. Mere availment of credit is not sufficient to invoke the provisions of Section 111 of Customs Act, 1962. The goods could not have been held to be liable for confiscation without evidence of post-importation conditions having been breached. Availment of Cenvat credit, even if factually established which it was not, is a pre-importation occurrence by the licence-holder which does not conform to the frame-work of Section 111 of Customs Act, 1962 that concerns imported goods and importer. The clearance afforded to the original licensee by Customs authorities as a prelude to endorsement of transferability would have ascertained conformity with condition in the exemption notification. As the goods could not have been held to be liable to confiscation, there is no justification for imposition of penalty under Section 112 of Customs Act, 1962. Appeal of Revenue also fails on this count.

8. In view of the above, the impugned order is not sustainable and is set aside. Appeal of Revenue is dismissed and appeal of M/s. Ring Gears India Ltd. is allowed.”

(emphasis supplied)

3.6.1.4. Thus, in the absence of proposal in the Notice for confiscation of the Finished Products which did not pass quality control, or any goods for that matter, no penalty under Section 112(a) of the Customs Act can be imposed on PI Industries in the matter.

3.6.2. Penalty not imposable under Section 114A of the Customs Act

3.6.2.1. Section 114A of the Customs Act provide for imposition of penalty where Customs Duty is short levied or paid by reason of collusion or any willful misstatement or suppression of facts, which reads:

“Section 114A. Penalty for short-levy or non-levy of duty in certain cases. –

Where the duty has not been levied or has been short-levied or the interest has not been charged or paid or has been part paid or the duty or interest has been erroneously refunded by reason of collusion or any wilful mis-statement or suppression of facts, the person who is liable to pay the duty or interest, as the case may be, as determined under³ [sub-section (8) of [section 28](#)] shall also be liable to pay a penalty equal to the duty or interest so determined:

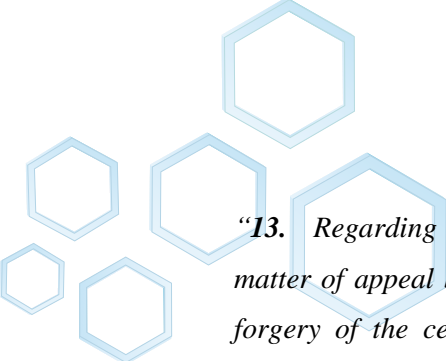
Provided also that where any penalty has been levied under this section, no penalty shall be levied under [section 112](#) or [section 114](#).”

(emphasis supplied)

3.6.2.2. Thus, penalty under Section 114A of the Customs Act can be imposed in case of demand of Customs Duty made on the allegation of suppression or any wilful misstatement or suppression of facts and not otherwise.

3.6.2.3. The instant case is of demand of Customs Duty foregone on the Inputs used in manufacture of the stolen and recovered Finished Products which did not pass quality control and there is no allegation of suppression or any wilful misstatement or suppression of facts in the Notice against PI Industries. Hence, penalty under Section 114A of the Customs Act cannot be imposed on the Noticee in the instant case.

3.6.2.4. In this regard the Noticee places reliance on decision of the Hon’ble Tribunal in the case of **CC Vs. Orient Ceramics & Industries Limited [2016 (344) ELT 449 (Tri.)]**, relevant extract of which reads:



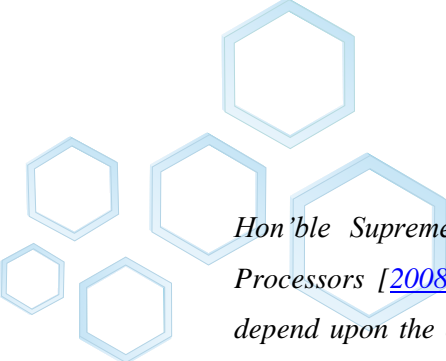
“13. Regarding non-imposition of penalty under Section 114A on OCIL which is subject matter of appeal by Revenue, we find that OCIL were not involved in any manner in the forgery of the certificates. The original authority is correct in not imposing the said penalty.

14. Here, it is necessary to distinguish the confirmation of demand for extended period and imposition of penalty equal to the duty on the importer. Admittedly, the present case involves peculiar facts and circumstances. The documents in the form of certificates by the Competent Ministry are found to be forged which made the goods ineligible for exemption. At the same time, the importer, who claimed the exemption, was found to be not involved in such forgery. The goods are to be assessed as per the applicable legal provisions and duty to be charged on them based on the valid claims. In the present case, the goods are not eligible for concession as the supporting certificate for such exemption was not genuine. As such the duty which escaped assessment by presentation of the improper and forged document has to be paid by the importer.

15. Regarding the question of penalty on the importer, the same will stand in a different footing. Unlike duty which is on the goods, penalty is on the importer and it is necessary to show that the importer has rendered himself by his act of collusion, wilful misstatement or misrepresentation liable for penalty under Section 114A. In the present case, such ingredients are not proven so the penalty under Section 114A cannot be imposed on the

importer (OCIL). Revenue pleaded that when the demand has been confirmed invoking extended period it automatically follows equal penalty has to be imposed. We have already noted the facts and circumstances of the case and how they are different from a case where collusion, misstatement, etc., are attributable to the person who claimed any improper concession resulting in short-payment of duty. Though the expressions used in proviso to Section 28(1) and Section 114A are similar the consequences of their application are not

similar. One deals with duty demand and the other deals with levy of penalty. It is necessary for imposing penalty under Section 114A, the person liable to such penalty should be shown to be involved in collusion, misstatement, etc. On careful perusal of the impugned order, we find that the findings of the original authority is based on correct appreciation of all material facts and hence there is no ground to interfere with such findings. Revenue relied on Hon'ble Supreme Court's decision in *Union of India v. Rajasthan Spinning & Weaving Mills* reported in [2009 \(238\) E.L.T. 3](#) (S.C.). We find the



Hon'ble Supreme Court relying on their earlier decision in Dharamendra Textile Processors [2008 (231) E.L.T. 3 (S.C.)], held that application of Section 11AC would depend upon the existence or otherwise of the conditions expressly stated in the section, once the section is applicable in a case the concerned authority would have no discretion in quantifying the amount of penalty. Here, in the present case the original authority found that the conditions stated in Section 114A are not applicable. We are in agreement with said findings. "

(emphasis supplied)

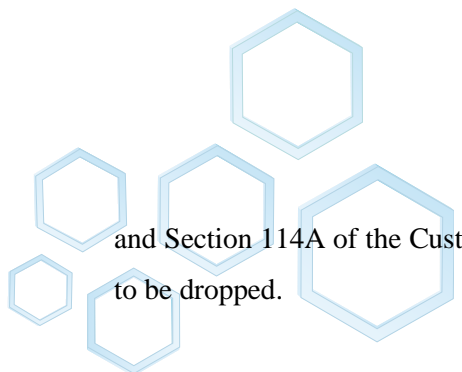
3.6.2.5. The Noticee further places reliance on decision of the Hon'ble Tribunal in the case of **Inditalia Refcon Limited Vs. CCE [2013 (293) ELT 387 (Tri.)]** wherein it is held:

"6.4 As already discussed (supra) the export/removal of the goods have been as per the provision of Chapter IX of the Warehousing and the department could not bring out the condition which are not fulfilled or any provision has been contravened. In these circumstances, the goods are not liable for confiscation. Further, penalty under Section 114A is imposable in case duty has not been levied or has been short-levied, etc., by reason of fraud, collusion or wilful mis-statement or suppression of facts or contravention of Central Excise Act or Rules, 1944 with intent to evade payment of duty. No such ingredients have been brought out by the department. In these circumstances, penalty imposed under Section 112 of Customs Act, 1962 and Rule 173Q of Central Excise Rules,

1944 is also not sustainable. As such, the impugned order is sustainable barring the penalty imposed under Section 112 of Customs Act, 1962 and penalty imposed under Rule 173Q. Therefore, the penalties imposed under Section 112 of Customs Act, 1962 and penalty imposed under Rule 173Q of erstwhile Central Excise Rules, 1944 are set aside and the impugned order is modified to that extent. The Revenue's appeal is dismissed and the appeals filed by the Unit are allowed."

(emphasis supplied)

3.6.3. Notwithstanding above submissions, the Notice proposes to impose penalty on the Noticee under Section 114A of the Customs Act read with Section 112(a) thereof. However, proviso to Section 114A of the Customs Act provide that if penalty is levied under Section 114A thereof, no penalty can be imposed under Section 112 thereof. Hence, proposal to impose penalty both under Section 112(a)



and Section 114A of the Customs Act is bad in law and further proceeding under the Notice are liable to be dropped.

3.6.4. In view of above, no penalty is imposable on the Noticee under Section 114A read with Section 112(a) of the Customs Act and further proceedings under the Notice are liable to be dropped.

Accordingly, the Noticee request the learned Adjudicating Authority to drop further proceedings under the Notice.

In case the learned Authority still intends to proceed with adjudication of the Notice, PI Industries may kindly be granted physical personal hearing before passing of order in the matter.

Thanking you.

Yours faithfully,

For **PI Industries Limited**

RIKEN Digitally signed
by RIKEN SHAH
Date:
SHAH 2025.10.29
12:26:49 +05'30'

(Authorized Signatory)

Encl: Annexure – 1.

TR6/GAR 7 CHALLAN NO: 04/2025-26 DT. 06.10.2025
(Treasuray Rule 92/Receipt & Payment Rules 26)

Challan for amount paid into the
Bank of Baroda, Dahej, BHARUCH
Name of the Bank/Branch with code No
BOB Bharuch 0202605
Name of the Focal Point Bank
BOB VADODARA

Name and Address of the assessee/Importer/Exporter
PI INDUSTRIES LTD(STERLING SEZ UNIT) PLOT NO. SPM, 29/2, TAL: JAMBUSAR, VILL: SAROD, DIST: BHARUCH(GUJ)
(Assessee/Importer/Exporter Code No 1393001114

ORIGINAL (To be sent to PAO through Focal Point Branch)
DUPLICATE (For Assessing Authority for Release of Goos Etc to be through Assessee)
TRIPPLICATE (Assessee/Depositer's/copy) Not Valid for clearing goods
QUADRUPPLICATE (To be sent to Nominated Range office/Superintendent of customs through
Accounting Coletrate VADODARA-II
Division BHARUCH-IV
STERLING SEZ
PAN NO. AABCP2183M AABCP2183M

Full Particulars of the remittance and Bill of entry No and date /Bill of shipment No & Date etc./Name of the commodity imported/exported with tariff item No.	Head of Account and Major Head (Indicate below the appropriate Minor Head from the list on the Reverse)	Accounting Code No	By Cash		By Cheque/Draft/Pay order etc		Counter Signature of the Department officer(Where required)
			Rs	ps	Rs	ps	
Return back claimed DBK along with Interest As per Annexure-I Show cause notice:- F No. CUS/EPF/OTH/77/2025-EPC-BRH-CUS-COMMRTE and DIN 20250871MN0000082C3 dated August 13, 2025 Chq No. 000524 Date: 06.10.2025		37001		Return back claimed DBK along with Interest	3591.00		
TOTAL					3591		

Date: 06.10.2025

(To be filled by the Bank)

Received Payment (in Words)
Rupees:

For, **PI INDUSTRIES LTD.**
Signature of the Funder
(UNIT SEZ)

AUTHORISED SIGNATORY

Space for Focal Point Bank Stamp indicating the date, amount credited to Government Account

Bank's Receipt Stamp:
Name of the Bank:





प्रधान आयुक्त का कार्यालय, सीमा शुल्क, अहमदाबाद
"सीमा शुल्क भवन," पहली मंजिल, पुराने हाईकोर्ट के
सामने, नवरंगपुरा, अहमदाबाद - 380 009.

ईमेल: epc-04bharuch@gov.com

RECORDS OF PERSONAL HEARING

Name of the Noticee and Address: M/s. P.I. Industries Ltd., Plot No. 29/2, Sterling SEZ and Infrastructure Limited, At. & P.O. Sarod, Taluka-Jambusar, District-Bharuch, Gujarat;

Personal Hearing in the matter of SCN:

SCN No. and date	Amount (INR)
SCN No. CUS/EPF/OTH/77/2025- EPC-BRH-CUS- COMMRTdated13.08.2025.	(i) Rs. 43,08,108/- (Customs Duty); (ii) Rs. 2,916/-(Drawback)

Virtual Personal Hearing fixed on: 06.01.2026 at 11:30 Hours.


Name of the authorized representative appeared for the PH: Shri Ashok Dhingra and team (M/s. Ashok Dhingra Associates).

Shri Ashok Dhingra and his team (M/s. Ashok Dhingra Associates) who is the authorized representative of M/s. P.I. Industries Ltd., Plot No. 29/2, Sterling SEZ and Infrastructure Limited, At. & P.O. Sarod, Taluka-Jambusar, District-Bharuch, Gujarat appeared for personal hearing at 11:30 Hours through video conferencing.

Shri Ashok Dhingra humbly submitted that the present hearing was for demand of duty equal to duty leviable/foregone on the inputs used in the theft exported goods which did not meet the quality standards after reprocessing of the stolen export goods.

Shri Ashok Dhingra humbly reiterated the facts of the case and along with their defense submission dated 29.10.2025. Further, Shri Ashok Dhingra further requested to consider the additional written submission sent via email dated 06.01.2026 i.e. on the day of hearing.

Shri Ashok Dhingra humbly requested to accept the explanations and documentary evidence provided via defense submissions and drop the proceedings initiated under the aforementioned Show Cause Notice and withdraw the proposed demand for tax, interest and penalty.


Jan 7, 2026

Shri Ashok Dhingra and team
(M/s. Ashok Dhingra Associates)
Authorized representative of
M/s. P.I. Industries Ltd.



(Shree Ram Vishnoi)
Additional Commissioner of Customs.

October 29, 2025

The Additional Commissioner of Customs,
I/c Sterling- SEZ
Jambusar, District Bharuch
Gujarat

Re: Reply to your show cause notice

Dear Sir,

PI Industries Limited, (“**PI Industries**” or “**the Noticee**”) thankfully acknowledges receipt of your show cause notice issued under F.No. CUS/EPF/OTH/77/2025-EPC-BRH-CUS-COMMRTE and DIN 20250871MN000000B2C3 dated August 13, 2025 (“**the Notice**”) proposing to demand and recover Customs Duty amounting to INR 43,08,108 under Section 26 of the Special Economic Zones Act, 2005 (“**the SEZ Act**”) read with Rules 22, 25, 34 and 47 of the Special Economic Zones Rules, 2006 (“**the SEZ Rules**”) and Section 28(1) of the Customs Act, 1962 (“**the Customs Act**”); along with interest under Section 28AA of the Customs Act; recover Drawback claimed thereon amounting to INR 2,916 under Rule 25 of the SEZ Rules; and proposing to impose penalty under Section 114A of the Customs Act read with Section 112(a) thereof on the basis of allegations made therein. The Notice also proposes to enforce Bond-cum-Legal Undertaking in Form H (“**Bond-Cum-Legal Undertaking**”) executed by PI Industries, under Section 143 of the Customs Act.

However, before making submission, it is appropriate to narrate brief facts of the case, allegations and proposed action in the Notice.

1. Background

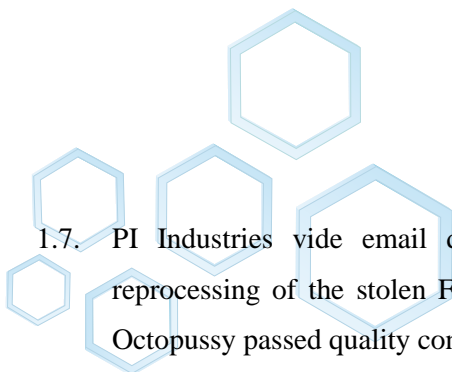
- 1.1. PI Industries is interalia engaged in the manufacture of Agrochemicals, Fine Chemicals and Intermediate Chemicals including AE 747 Ether (“**Ether**”) and Pyroxasulfone Technical (“**Octopussy**”) [*collectively* “**the Finished Products**”] in unit at Plot No. 29/2, Sterling SEZ and Infrastructure Limited, Jambusar, District- Bharuch, Gujarat (“**the SEZ Unit**”) [**“the Sterling SEZ”**], in terms of Letter of Approval (“**LOA**”) No. SSEZ/DC/UA/012/2016-17 dated April 11, 2017 granted by the Development Commissioner, Sterling SEZ (“**the Development Commissioner**”).
- 1.2. PI Industries engaged M/s Liladhar Paso Forwarder Private Limited (“**the Transporter**”) for transport of Ether weighing 19,040 kgs. and valued at INR 7,73,89,032 cleared under Invoice Nos.

73353606 and 73530607 both dated August 16, 2025 to Bayer Crop Science Limited (“**Bayer**”) from the SEZ Unit to the Hazira Port for export.

- 1.3. PI Industries also received order from M/s K-I Chemical INC., USA for supply of Octopussy on June 28, 2023, and the Noticee through the Transporter shipped two consignments – under Invoice No. 73530609 weighing 24,000 Kgs. valued at INR 17,24,38,338 on August 19, 2023; and under Invoice No. 73530615 weighing 24,000 kgs. valued at 17,26,20,000 – on August 28, 2023. _
- 1.4. However, after despatch of the Finished Products in Containers (“**the Containers**”) from the SEZ Unit, the drivers engaged by the Transporter diverted the Containers; took out the Finished Products from bags and replaced with cement bags filled with sand and transported the Containers to Hazira Port, from where the same were exported.
- 1.5. On September 28, 2023, PI Industries received an email from Bayer informing receipt of cement bags filled with sand instead of the Finished Products. Accordingly, PI Industries filed two separate FIRs dated October 18, 2023 to report theft of Ether; and dated October 31, 2023 to report theft of Octopussy, with the Police. Further, vide email dated November 30, 2023, PI Industries informed the Authorised Officer, Sterling SEZ (“**the Authorised Officer**”), about theft of the Finished Products, as detailed below.

Sr. No.	Finished Product	Invoice No.	Weight (Kgs.)	Value (INR)	Date of Removal
1.	AE747 Ether	73353606 and 73530607	19,040	7,73,89,032	August 17, 2023
2.	Octopussy	73530609	24,000	17,24,48,613	August 19, 2023
3.	Octopussy	73530615	24,000	17,26,20,000	August 28, 2023

- 1.6. Pursuant to investigation by the Police, the stolen Finished Products were recovered, which were released to PI Industries on November 24, 2023 in terms of order dated November 7, 2023 (“**the Release Order**”) of the Chief Judicial Magistrate, Mangrol. PI Industries vide email dated November 28, 2023 requested the Authorised Officer to allow bringing back of the Finished Products released vide the Release Order in the SEZ Unit, which permission was granted. Thereafter, on receipt of the stolen Finished Products in the SEZ Unit, two separate Panchnama dated December 4, 2024 and December 5, 2024 were drawn by the Preventive Officer to verify quantity of the stolen Finished Products received back in the SEZ Unit and to collect samples which were sent to various laboratories for testing. However, due to absence of testing facilities in Government laboratories, testing facilities of PI Industries were utilized by the Authorised Officer for testing of the stolen Finished Products.



1.7. PI Industries vide email dated January 3, 2024 informed the Authorised Officer that upon reprocessing of the stolen Finished Products out of 48,000 kgs. of Octopussy only 45,601 kgs. of Octopussy passed quality control, relevant portion of which reads:

From: OSD, Sterling SEZ
To: Riken Shah
Subject: Re: FW: news of stealing agrochemicals meant for export- M/r
Date: 08 January 2024 16:40:08
Attachments: image002.png
 image003.png
 image004.png
 image005.png
 image006.png
 image335977.png
 letter dated 08.01.2024.pdf

CAUTION: This email originated from outside of the organization. Do not click links or open attachments unless you recognize the sender and know the content is safe.

Gentleman,
 please find letter dated 08.01.2024 on above mentioned subject
 regards
 AO/SO
 sterling SEZ

On Wed, Jan 3, 2024 at 5:08 PM Riken Shah <riken.shah@piind.com> wrote:

Dear Sir,

This has reference to point no. 4 of our below E-mail and our ongoing discussions.

We would like to inform you that reprocessing of the product Pyroxasulfone Technical have been completed in the SEZ Unit and stuffed in the following containers, which are lying at SEZ Unit for sealing and export.

#	Container no.	Qty	Shipping bill no.	Shipping bill dt..
1	FANU3451771	24,000 KGS	4000386	31-Dec-23
2	HLBU1996873	24,000 KGS	4000387	31-Dec-23
		48000 KGS		

Please arrange to allow to export of both the Shipping Bill Nos. 4000383 and 4000387 both dated December 31, 2023 at the earliest.

Further, after reprocessing of entire quantity of 48000 kgs., we had obtained 45,601 kgs., which has been passed quality control and is dispatchable quantity. However, to dispatch FCL lot of 24,000 kgs., we added additional quantity of 2,399 Kgs. from fresh production.

1.8. Subsequently, vide email dated March 5, 2025, PI Industries informed the Authorised Officer that the quantum of Octopussy post reprocessing which did not pass quality control is 2,315 kgs. and not 2,399 kgs. as communicated earlier vide email dated January 3, 2024.

1.9. Similarly, after re-processing stolen and recovered Ether, PI Industries vide email dated May 6, 2024, informed the Authorised Officer of material not usable due to contamination and material loss after reprocessing, relevant portion of which reads:

On Mon, May 6, 2024 at 4:03 PM Riken Shah <riken.shah@piind.com> wrote:

Dear Sir,

Further to below E-mail, we would like to inform you that re-processing of our another Export product named as ' 747 Ether' has been completed & we have lost 4988.48 kgs.

Particulars	Qty (In kgs)
Short Qty received	60.98
Not usable due to contamination	1377.52
Material loss after processing	3549.98
TOTAL	4988.48

We will shortly share valuation and duties for Inputs (Imported or domestically procured raw-materials) used on lost goods.

1.10. Thereafter, the Authorised Officer vide letters dated January 8, 2024, December 30, 2024 and December 6, 2024 requested PI Industries to submit details of imported and indigenous raw material (“the Inputs”) used in goods found short after reprocessing of the recovered Finished Products; details of the indigenous inputs used in the manufacture of stolen Finished Products on which drawback was claimed, and details of insurance claims made with the insurance company. Accordingly, PI Industries vide email dated March 5, 2025 submitted statement showing the Inputs used in reprocessing of the recovered Finished Products, details of drawback claimed on the Inputs used in the manufacture of stolen Finished Products, and insurance claimed and settled.

1.11. After holding pre-consultation, PI Industries has now been served with the Notice.

2. Allegations and proposed action in the Notice

2.1. The following allegations have been made in the Notice against PI Industries:

- benefit of exemption of Customs Duty on imported Inputs is available to the SEZ Unit only when the Inputs are utilised in authorised operations
- the Inputs procured duty free from domestic tariff area (“DTA”) and imported, used in manufacture of the stolen Finished Products i.e. 2,315 kgs. of Octopussy and 4,988 kgs. of

Ether, does not amount to use for authorised operations, and deemed to have been diverted for purpose other than authorised operations

- contravened Section 7 and 26 of the SEZ Act; and Rule 22, 25, 27, 34 and 47 of the SEZ Rules as did not comply with prescribed conditions, and
- did not comply with conditions of the Bond-Cum-Legal Undertaking as failed to account for the Inputs used in authorised operations and failed to observe provisions of the Customs Act in respect of procurement of goods.

2.2. Based on above allegations, the Notice proposes the following actions against PI Industries:

- Demand of differential Customs Duty amounting to INR 43,08,108 equal to Duty foregone on the Inputs used in the stolen Finished Products which did not meet the quality standards, under Section 26 of the SEZ Act read with Section 28(1) of the Customs Act and Rules 22, 25, 34 and 47 of the SEZ Rules along with interest under Section 28 AA of the Customs Act.
- Demand and recovery of Drawback amounting to INR 2,916 claimed on the stolen Finished Products under Rule 25 of the SEZ Rules.
- Imposition of penalty under Section 114A read with Section 112 (a) of the Customs Act, and
- Enforcing the Bond-Cum-Legal Undertaking furnished towards liabilities under Section 143 of the Customs Act.

3. Reply to the Notice

At the outset, the Noticee denies allegations made in the Notice being devoid of merit, and not tenable under the governing provisions of law. PI Industries is submitting reply to the Notice on the following grounds which are in the alternative and without prejudice to one another and retains right to amend, modify, alter and add grounds during adjudication thereof.

However, before making submissions, the Noticee is reproducing and discussing relevant legal provisions hereinafter.

3.1. Relevant Legal Provisions and discussions

3.1.1. Section 7 of the SEZ Act reads:

“7. Exemption from taxes, duties or cess — Any goods or services exported out of, or imported into, or procured from the Domestic Tariff Area by —

- (i) a Unit in a Special Economic Zone; or*
- (ii) a Developer,*

shall, subject to such terms, conditions and limitations, as may be prescribed, be exempt from the payment of taxes, duties or cess under all enactments specified in the First Schedule.”

Thus, Section 7 of the SEZ Act provide for exemption from payment of taxes, duties, or cess on any goods or services that are exported out of, imported into, or procured from DTA by a SEZ Unit.

3.1.2. Section 26 of the SEZ Act reads:

“26. Exemptions, drawbacks and concessions to every Developer and entrepreneur.—

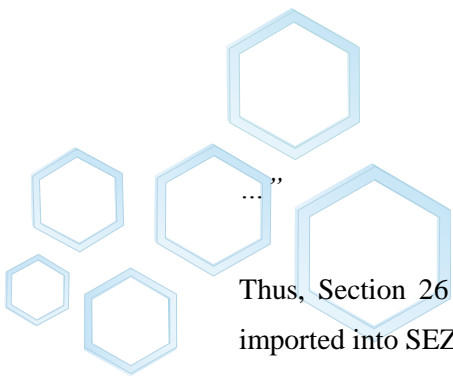
(1) Subject to the provisions of sub-section (2), every Developer and the entrepreneur shall be entitled to the following exemptions, drawbacks and concessions, namely:—

(a) exemption from any duty of customs, under the Customs Act, 1962 (52 of 1962) or the Customs Tariff Act, 1975 (51 of 1975) or any other law for the time being in force, on goods imported into, or services provided in, a Special Economic Zone or a Unit, to carry on the authorised operations by the Developer or entrepreneur;

(b) exemption from any duty of customs, under the Customs Act, 1962 (52 of 1962) or the Customs Tariff Act, 1975 (51 of 1975) or any other law for the time being in force, on goods exported from, or services provided, from a Special Economic Zone or from a Unit, to any place outside India;

...

(d) drawback or such other benefits as may be admissible from time to time on goods brought or services provided from the Domestic Tariff Area into a Special Economic Zone or Unit or services provided in a Special Economic Zone or Unit by the service providers located outside India to carry on the authorised operations by the Developer or entrepreneur;



Thus, Section 26 of the SEZ Act provide for exemption from Customs Duty to goods imported into SEZ to carry out authorised operations by a SEZ Unit.

3.1.3. Rule 22 of the SEZ Rules reads:

“22. Terms and conditions for availing exemptions, drawbacks and concessions to every Developer and entrepreneur for authorized operations.-

(1) Grant of permission to operate including availing exemption, drawbacks and concession to the entrepreneur or Developer shall be subject to the following conditions, namely:-

(i) the Unit shall execute a Bond-cum-Legal Undertaking in Form H, with regard to its obligations regarding proper utilization and accountal of goods, including capital goods, spares, raw materials, components and consumables including fuels, imported or procured duty free and regarding achievement of positive net foreign exchange earning;

(ii)...

(iii) the Bond-cum-Legal Undertaking shall be jointly accepted by Development Commissioner and by the Specified Officer:

Provided that the Bond-cum-Legal Undertaking executed by the Unit or the Developer including Co-Developer shall cover one or more of the following activities, namely: -

(a) the movement of goods between port of import or export and the Special Economic Zone;

(b) the authorized operations, as applicable to Unit or Developer;

(c) temporary removal of goods or goods manufactured in Unit for the purposes of repairs or testing or calibration or display or processing or sub-contracting of production process or production or other temporary removals into Domestic Tariff Area without payment of duty;

(d) re-import of exported goods.

(iv) ...

(2) Every Unit and Developer shall maintain proper accounts, financial year wise, either in register form in hard copy or time stamped digital form, which should clearly indicate in value terms the goods imported or procured from Domestic Tariff Area, consumption or utilization of goods, production of goods, including by-products, waste or scrap or remnants, disposal of goods manufactured or produced, by way of exports, sales or supplies in the domestic tariff area or transfer to Special Economic Zone or Export Oriented Unit or Electronic Hardware Technology Park or

Software Technology Park Units or Biotechnology Park Unit, as the case may be, and balance in stock:

Provided that Unit and Developer shall maintain such records for a period of seven years from the end of relevant financial year:

...”

Rule 22 of the SEZ Rules provide for execution of the Bond-cum-Legal Undertaking.

3.1.4. Rule 25 of the SEZ Rules reads:

“25. Where an entrepreneur or Developer does not utilize the goods or services on which exemptions, drawbacks, cess and concessions have been availed for the authorized operations or unable to duly account for the same, the entrepreneur or the Developer, as the case may be, shall refund an amount equal to the benefits of exemptions, drawback, cess and concessions availed without prejudice to any other action under the relevant provisions of the Customs Act, 1962, the Customs Tariff Act, 1975, the Central Excise Act, 1944, the Central Excise Tariff Act, 1985, the Central Goods and Services Tax Act, 2017 (12 of 2017), Integrated Goods and Services Tax Act, 2017 (13 of 2017), State Goods and Services Tax Acts, Union Territory Goods and Services Tax Act, 2017 (14 of 2017) and the Foreign Trade (Development and Regulation) Act, 1992 (22 of 1992) and the enactments specified in the First Schedule to the Act, as the case may be:

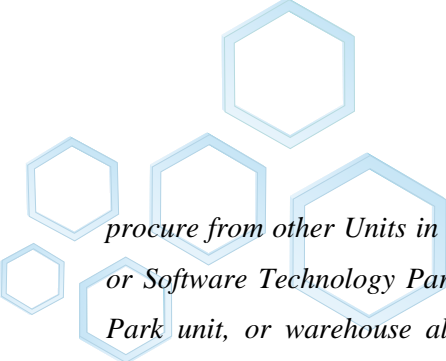
Provided that if there is a failure to achieve positive net foreign exchange earning, by a Unit, or stipulated Value addition, such entrepreneur shall also be liable] for penal action under the provisions of Foreign Trade (Development and Regulation) Act, 1992 and the rules made there under.”

Rule 25 of the SEZ Rules provide that where interalia an entrepreneur does not utilize the goods on which exemptions, drawbacks, cess and concessions have been availed for authorized operations or unable to account for the same, such entrepreneur will refund amount equal to benefits availed.

3.1.5. Rule 27 of the SEZ Rules reads:

“27. Import and Procurement. -

(1) A Unit or Developer may import or procure from the Domestic Tariff Area without payment of duty, taxes or cess or procure from Domestic Tariff Area after availing export entitlements or



procure from other Units in the same or other Special Economic Zone or from Export Oriented Unit or Software Technology Park unit or Electronic Hardware Technology Park unit or Biotechnology Park unit, or warehouse all type of goods, including capital goods (new or second hand), raw materials, semi-finished goods, (including semi-finished Jewellery) component, consumables, spares goods and materials for making capital goods required for authorized operations except prohibited items under the Import Trade Control (Harmonized System) Classifications of Export and Import Items.

Provided that exemptions from payment of duty, taxes or cess drawbacks and concessions on all types of goods and services, required for setting up and maintenance of the factory building allowed to a unit shall also be available to the contractors including sub-contractors appointed by such unit and all the documents in such cases shall bear the name of the unit along with the contractor and these shall be filed jointly in the name of the unit and the contractor:

Provided further that the unit shall be responsible and liable for proper utilization of such goods and services in all cases.

Provided also that items prohibited for import can be procured by a Special Economic Zone unit or Developer from a place outside India to the Special Economic Zone with the prior approval of Board of Approval.

Provided also that for supply of Restricted Items by a Domestic Tariff Area Unit to Special Economic Zone Developer or Unit, the Domestic Tariff Area Unit may supply such items to a Special Economic Zone Developer or Unit for setting up infrastructure facility or for setting up of a Unit and it may also supply raw material to Special Economic Zone Unit for undertaking a manufacturing operation except refrigeration, cutting, polishing and blending, subject to the prior approval of Board of Approval:

Provided also that supplies from Domestic Tariff Area to Special Economic Zones shall attract export duty, in case, export duty is leviable on items attracting export duty.

...

(9) Where goods or parts thereof, imported or procured from Domestic Tariff Area are found to be defective or otherwise unfit for use or which have been damaged or become defective after such import or procurement, may be sent outside the Special Economic Zone without payment of duty for repairs or replacement, to the supplier or his authorized dealer or be destroyed:

Provided that where overseas supplier or the Domestic Tariff Area supplier of goods does not insist for re-export or for supply back to the Domestic Tariff Area of goods, the same

shall not be insisted upon and such goods shall be destroyed with the permission of the Specified Officer:

Provided further that the goods which are sent outside the Special Economic Zone for repairs are returned to the Special Economic Zone, within 180 days from the date of removal from the Special Economic Zone, under intimation to the specified officer. In case goods are sent out for replacement then on replaced goods, no Duty Entitlement Passbook Scheme, duty drawback or other export incentives shall be claimed for this purpose]

Provided further that destruction shall not be permitted in case of precious and semi-precious stones and precious metals:

Provided also that in case of return of goods procured from the Domestic Tariff Area, the same shall be allowed on refund of the export entitlement which have been received or availed or claimed by the Domestic Tariff Area supplier or the Unit or the Developer, as the case may be.

...”

Rule 27 of the SEZ Rules provide that a SEZ unit can import or procure goods from DTA without payment of duty, taxes or cess.

3.1.6. Rule 34 of the SEZ Rules reads:

“34 Utilisation of Goods –

The goods admitted into a Special Economic Zone shall be used by the Unit or the Developer only for carrying out the authorized operations but if the goods admitted are utilized for purposes other than for the authorized operations or if the Unit or Developer fails to account for the goods as provided under these rules, duty shall be chargeable on such goods as if these goods have been cleared for home consumption:

Provided that in case a Unit is unable to utilise the goods or services imported or procured from Domestic Tariff Area, it may, -

(i) export the goods; or

(ii) sell the same to other Unit or to an Export Oriented Unit or Electronic Hardware Technology Park or Software Technology Park or Bio Technology Park, without payment of duty; or

(iii) sell to an Export Oriented Unit or Electronic Hardware Technology Park or Software Technology Park or Bio Technology Park –

(a) on payment of Integrated Goods and Services Tax as applicable under section 5 of the Integrated Goods and Services Tax Act, 2017 (13 of 2017); and

(b) without payment of duty of customs leviable thereon under the First Schedule to the Customs Tariff Act, 1975 (51 of 1975) and additional duty, if any, leviable thereon under sub-sections (1), (3) and (5) of section 3 of the said Act and such sale shall also be made

without payment of integrated tax and compensation cess leviable thereon under sub-sections (7) and (9) of section 3 of the said Act as per notification issued by the Department of Revenue and such exemptions, as applicable;

(iv) dispose of the same in the Domestic Tariff Area on payment of applicable duties or taxes on the basis of an import licence submitted by the Domestic Tariff Area buyer, wherever applicable.”

Rule 34 of the SEZ Rules provide that if goods admitted into a SEZ are utilized for purposes other than authorized operations or if SEZ unit fails to account for such goods, Customs Duty shall be chargeable on such goods as if such goods have been cleared for home consumption. Thus, in terms of Rule 34 of the SEZ Rules, Customs Duty would be payable only on happening of any of the following two circumstances:

- a) Such goods admitted into SEZ are utilized for purposes other than authorized operations, or
- b) if such SEZ unit fails to account for such goods.

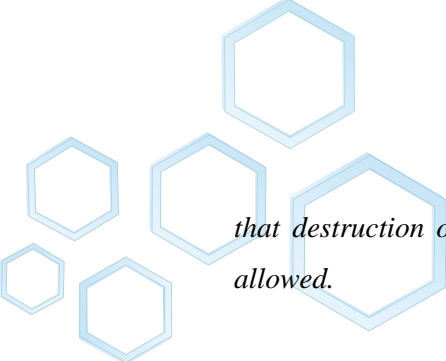
3.1.7. Rule 39 of the SEZ Rules reads:

“39. Destruction of goods.-

(1) After advance intimation of not less than seven days to the Specified Officer, a Unit may destroy, without payment of duty, goods including capital goods, procured from Domestic Tariff Area or goods imported or goods manufactured or produced by the Unit including rejects or waste or scrap or remnants within the Special Economic Zone:

Provided that obtaining environmental clearance if any required for such destruction shall be the responsibility of the Unit.

(2) Where it is not possible to destroy goods within the Special Economic Zone, destruction of goods under sub-rule (1) shall be carried out, outside the Special Economic Zone with the permission of Specified Officer and in the presence of the Authorized Officer: Provided



that destruction of precious and semi-precious stones and precious metals shall not be allowed.

(3)The Unit shall be required to pay back the drawback and Duty Exemption Pass Book credit availed in of case destruction of goods procured from Domestic Tariff Area.

(4)Where any goods procured from Domestic Tariff Area under claim of drawback or Duty Entitlement Passbook Scheme credit under any export promotion scheme are destroyed due to natural calamities, the zone unit shall be required to pay drawback or Duty Entitlement Passbook Scheme credit or any other export incentive claimed on such goods:

Provided that in case where the Unit has procured the goods from Domestic Tariff Area against payment of foreign exchange, the Unit shall not be liable to pay back drawback or Duty Entitlement Passbook Scheme credit or any export incentive claimed on such goods”

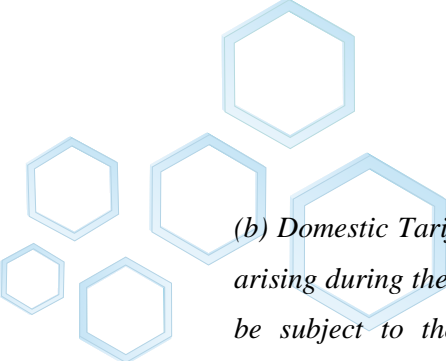
Rule 39 of the SEZ Rules permit an SEZ unit to destroy goods, including capital goods, waste, scrap, remnants, and rejects - whether procured from DTA, imported, or manufactured within the SEZ - without payment of duty within the SEZ or outside the SEZ.

3.1.8. Rule 47 of the SEZ Rules reads:

“47. Sales in Domestic Tariff Area.-

(1) A Unit may sell goods and services including rejects or wastes or scraps or remnants or broken diamonds or by products arising during the manufacturing process or in connection therewith, in the Domestic Tariff Area on payment of Customs duties under section 30, subject to the following conditions, namely. –

(a) Domestic Tariff Area sale under sub-rule (1), of goods manufactured by a Unit shall be on submission of import licence, as applicable to the import of similar goods into India, under the provisions of the Foreign Trade Policy: Provided that goods imported or procured from the Domestic Tariff Area and sold as such without being subjected to any manufacturing process shall be subject to the provisions of the Foreign Trade Policy as applicable to import of similar goods into India.



(b) Domestic Tariff Area sale under sub-rule (1) of rejects or scrap or waste or remnants arising during the manufacturing process or in connection there-with by the Unit shall not be subject to the provisions of the Import Trade Control (Harmonized System) of Classification of Export and Import Items: Provided that the Central Government may notify restrictions, as it deems fit on all or any class of such goods mentioned under this clause.

(2) Scrap or dust or sweeping of gold or silver or platinum may be sent to Government of India Mint or Private Mint from a Unit and returned in standard bars in accordance with the procedure specified by Customs authorities or may be sold in the Domestic Tariff Area on payment of duty on the gold or silver or platinum content in the said scrap: Provided that the value of samples of gold or silver or platinum sweepings or scrap or dust taken at the time of clearance and sent to the Government Mint or Private Mint for assaying and assessment shall be finalized on the basis of reports received from the Government Mint or Private Mint, as the case may be.

...”

Rule 47 of the SEZ Rules governs sale of goods and services by a SEZ Unit into DTA including rejects, waste, scrap, remnants, broken diamonds, and by-products arising during manufacturing process or in connection therewith, into DTA on payment of Customs Duties under Section 30 of the SEZ Act.

3.1.9. Thus, in summary under the SEZ Act and the SEZ Rules exemption from Duty on imported or indigenously procured goods is subject to the following conditions:

- SEZ unit executes Bond-Cum-Legal Undertaking in specified format
- Such goods are procured Duty free for authorised operations, and
- Such goods are properly utilized and accounted for.

Therefore, a SEZ unit can import any goods Duty free for use in authorised operations which should be duly accounted for. There is no other condition or limitation provided for duty free procurement from DTA or import of goods by a SEZ unit under the SEZ Act and the SEZ Rules. In case any of the above three conditions are not complied with then such SEZ unit shall be liable to refund an amount equal to exemption or benefit availed in terms of Rule 25 of the SEZ Rules. Similarly, Rule 27 of the SEZ Rules provide that SEZ unit shall be responsible and liable for proper utilization of goods procured Duty free. Further, Rule 34 of the SEZ Rules provide that if goods admitted into a SEZ are

not utilized for authorized operations or if such SEZ unit fails to account for such goods, Customs Duty shall be payable on such goods as if such goods have been cleared for home consumption. Furthermore, Rule 39 of the SEZ Rules carves out an exception and provide for destruction of interalia manufactured goods within or outside SEZ under sub-Rules (1) and (2) thereof. Rule 39(3) of the SEZ Rules provide for payback of Drawback or Duty Exemption Passbook Credit in case of destruction of goods procured from DTA. However, Rule 39(4) of the SEZ Rules provide that if goods procured from DTA under claim of drawback or Duty Entitlement Passbook Scheme Credit or

under any export promotion scheme are destroyed due to natural calamities, such SEZ unit will be required to payback Drawback or Duty Entitlement Passbook Scheme Credit or any export incentive claimed on such goods except where such goods are procured from DTA against payment of foreign exchange.

3.2. **Customs Duty not payable**

3.2.1. In the Notice an allegation has been made that PI Industries has failed to utilise the Inputs procured duty free from DTA and imported, used in manufacture of stolen Finished Products which failed to meet prescribed quality standards, for authorised operations. Hence, an amount equal to Duty forgone on Inputs used in stolen Finished Products, which did not meet quality standards after reprocessing is proposed to be demanded and recovered from the Noticee.

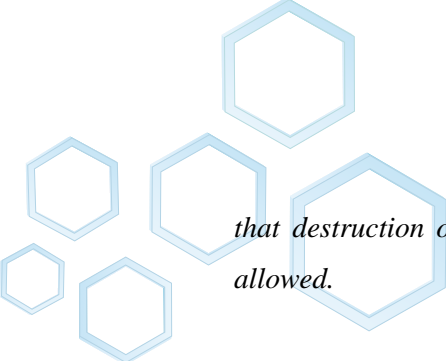
3.2.2. Before making submissions on why Customs Duty is not payable, the Noticee is reiterating Rule 39 of the SEZ Rules at the cost of repetition, which reads:

“39. Destruction of goods.-

(1) After advance intimation of not less than seven days to the Specified Officer, a Unit may destroy, without payment of duty, goods including capital goods, procured from Domestic Tariff Area or goods imported or goods manufactured or produced by the Unit including rejects or waste or scrap or remnants within the Special Economic Zone:

Provided that obtaining environmental clearance if any required for such destruction shall be the responsibility of the Unit.

(2) Where it is not possible to destroy goods within the Special Economic Zone, destruction of goods under sub-rule (1) shall be carried out, outside the Special Economic Zone with the permission of Specified Officer and in the presence of the Authorized Officer: Provided



that destruction of precious and semi-precious stones and precious metals shall not be allowed.

(3)The Unit shall be required to pay back the drawback and Duty Exemption Pass Book credit availed in of case destruction of goods procured from Domestic Tariff Area.

(4)Where any goods procured from Domestic Tariff Area under claim of drawback or Duty Entitlement Passbook Scheme credit under any export promotion scheme are destroyed

due to natural calamities, the zone unit shall be required to pay drawback or Duty Entitlement Passbook Scheme credit or any other export incentive claimed on such goods:

Provided that in case where the Unit has procured the goods from Domestic Tariff Area against payment of foreign exchange, the Unit shall not be liable to pay back drawback or Duty Entitlement Passbook Scheme credit or any export incentive claimed on such goods”

From perusal of Rule 39 of the SEZ Rules it transpires that Rule 39 (1) thereof permits an SEZ unit to destroy interalia goods manufactured or produced by such unit within the SEZ without payment of duty and Rule 39(2) thereof permits a SEZ unit to destroy goods outside the SEZ with the permission of the Specified Officer and in the presence of the Authorised Officer.

3.2.3. In the instant case, the Noticee exported 48,000 kgs. of Octopussy and 19,040 kgs. of Ether, which were stolen and subsequently recovered and brought within the SEZ Unit. Thereafter PI Industries carried out reprocessing of the recovered Finished Products as per quality standards maintained for its export goods. Post reprocessing, only 45,685 kgs. of Octopussy passed quality control and balance quantity of Octopussy i.e. 2,315 kgs. being unfit for export was incinerated within the SEZ Unit in terms of Rule 39(1) of the SEZ Rules.

3.2.4. Similarly, post reprocessing only 14,052 kgs. of Ether passed quality control and balance quantity of Ether i.e., 4,988 kgs being unfit for export was incinerated within the SEZ Unit in terms of Rule 39(1) of the SEZ Rules.

3.2.5. Below is the tabular representation of the above facts:

Product	Quantity exported/ stolen (Kgs.)	Quantity recovered and brought to the SEZ Unit (Kgs.)	Quantity recovered after reprocessing (Kgs.)	Quantity destroyed being unfit for export within the SEZ Unit (Kgs.)
AE 747 Ether	19,040	19,520	14,052	4,988
Pyroxasulfone Technical (Octopussy)	24,000 + 24,000 = 48,000	49,535	45,685	2,315

3.2.6. In view of above and the fact that the Finished Products not passing quality control were destroyed within the SEZ Unit in terms of Rule 39(1) of the SEZ Rules, the Noticee submit that no Customs Duty is payable by PI Industries. Accordingly, demand of Duty foregone on the Inputs used in the manufacture of the stolen Finished Products not passing the quality control and proposal to enforce Bond-Cum-Legal Undertaking is bad in law and further proceedings under the Notice are liable to be dropped.

3.3. Drawback claimed on domestic Inputs

The Noticee has paid back the Drawback claimed on the Inputs procured from DTA used in manufacture of the Finished Products not passing quality control along with interest vide Challan No. 04/2025-26 dated 06.10.2025 , copy enclosed as **Annexure – 1**.

3.4. No failure to utilise the Inputs for authorised operations

3.4.1. In Para 6.3 of the Notice, it is alleged that Duty foregone on the Inputs used in the Finished Products not passing the quality control tests is deemed to be diverted for purpose other than authorised operations and therefore the Noticee is liable to pay an amount equal to Duty foregone on such Inputs.

3.4.2. In this regard the Noticee submit that Section 26 of the SEZ Act interalia provide for exemption from Customs Duty to imported goods or Central Excise Duty on goods procured from DTA and brought into SEZ to carry out authorised operations, subject to prescribed terms and conditions.

3.4.3. Rule 22 of the SEZ Rules provide that exemption, drawbacks and concessions will be granted to a SEZ unit subject to execution of Bond-Cum-Legal Undertaking regarding obligation for proper utilization; accountal of goods imported or procured duty free from DTA; and achievement of positive

net foreign exchange earnings and such SEZ unit shall maintain financial year wise proper accounts containing specified information.

3.4.4. Rule 27 of the SEZ Rules provide that a SEZ unit can import or procure goods from DTA without payment of Duty for authorized operations. Further, Rule 27 of the SEZ Rules provide that SEZ unit shall be responsible and liable for proper utilization of goods procured Duty free.

3.4.5. Accordingly, to avail exemption from duty on imported or indigenously procured goods, a SEZ unit is allowed to interalia procure any goods subject to the following conditions:

- SEZ unit executes Bond-Cum-Legal Undertaking
- Such goods are procured duty free for authorised operations, and
- Such goods are properly utilized and accounted for.

Thus, a SEZ unit can import or locally procure any goods duty free for authorised operations, which should be utilised for authorised operations or accounted for. There is no other condition or limitation provided for duty free procurement from DTA or import of goods by a SEZ unit under the SEZ Act and the SEZ Rules.

3.4.6. In case any of the above three conditions are not complied with, then such SEZ unit shall be liable to pay an amount equal to benefit of exemption and concession availed in terms of Rule 25 of the SEZ Rules.

3.4.7. In the instant case, the Noticee procured the Inputs for authorised operations in the SEZ unit which is not in dispute. Hence, the first limb of condition prescribed under Section 26 of the SEZ Act stands complied with.

3.4.8. Second limb of prescribed condition for locally procuring or importing goods Duty free, SEZ unit has to comply with conditions prescribed in Rule 22 of the SEZ Rules. As extracted above Rule 22 of the SEZ Rules provide that Duty free material should be properly utilised and accounted for. In the instant case, the Noticee procured the Inputs duty free for intended use of authorised operations of the SEZ Unit. However, on account of theft and subsequent recovery and reprocessing of the Finished Products, some of the Finished Products did not pass quality controls and hence had to be destroyed in terms of Rule 39(1) of the SEZ Rules, which fact is not disputed.

3.4.9. Further, in terms of Rule 22(2) of the SEZ Rules, the Noticee has maintained proper and regular accounts financial year wise clearly indicating value, goods imported or procured from DTA, consumption or utilization of such goods, production of goods including by products, waste or scrap or remnants, disposal of goods manufactured or produced by way of export, sale or supply in the DTA and balance in stock. Further, the Noticee has appropriately accounted for the Inputs used in the Finished Products not passing the quality control which fact is not disputed in the Notice. Therefore, conditions of proper utilisation and accountal of the Inputs procured duty free prescribed under Rule 22 of the SEZ Rules has been complied with.

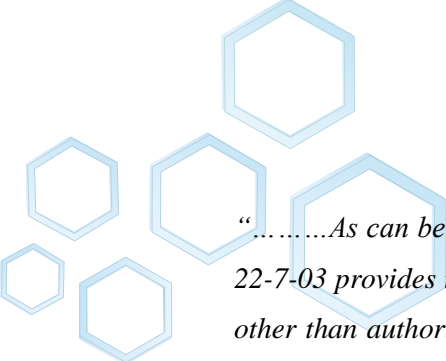
3.4.10. Furthermore, the Noticee submit that Rule 34 of the SEZ Rules provide for the following two circumstances under which goods admitted into a SEZ will be chargeable to duty as if the goods have been cleared for home consumption:

- Goods are utilized for purposes other than for authorised operations, **OR**
- The Unit fails to account for the goods as provided under these Rules.

3.4.11. The only ground on which demand is proposed to be made in the Notice is that Duty foregone on the Inputs used in the Finished Products not passing the quality control tests is deemed to have been diverted for purpose other than authorised operations and has thus not been utilised in authorised operations and hence amount equal to Duty foregone becomes payable. There is no allegation in the Notice that the Noticee failed to account for the Inputs as provided Rule 22 and Rule 34 of the SEZ Rules. Hence, the Noticee is not making any submissions on the same.

3.4.12. The Noticee submit that the allegation made in the Notice that the Inputs used in the Finished Products not passing the quality control tests is deemed to have been diverted for purpose other than authorised operations and has thus not been utilised in authorised operations is flawed and made without appreciating Rule 39(1) of the SEZ Rules, which specifically permits a SEZ unit to destroy manufactured goods within the SEZ without payment of duty under Rule 39 of the SEZ Rules. Hence, the ground on which proposal to demand and recover Customs Duty is made in the Notice is bad on the face of it and further proceedings under the Notice are liable to be dropped on this ground alone.

3.4.13. In this regard the Noticee places reliance on decision of the Hon'ble Customs, Excise and Service Tax Appellate Tribunal (“**the Tribunal**”) in the case of **Satguru Polyfab Private Limited Vs. CC [2011 (267) ELT 273 (Tri.)]** relevant extracts of which reads:



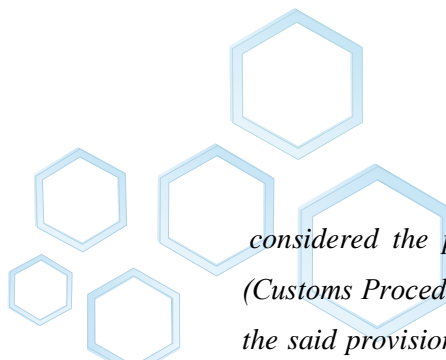
“.....As can be seen Rule 8 of SEZ Rules 2003 and Notification No. 52/2003-N.T. dated 22-7-03 provides that where goods admitted duty free in the SEZ are used for the purposes other than authorised operations or where the units fail to account the goods, duty has to be paid as if the goods have been removed for home consumption. In this case the custom’s notification is recognizing the fact that when the goods are lying in the SEZ they have to be treated as existing in the foreign territory and only when the same are not used or not accounted for, they have to be treated as cleared for home consumption. Therefore the whole issue in this case boils down to the fact as to whether the fire accident which lead to the destruction of goods can be said to be a breach of Rule 8 of SEZ Rules 2003. We take note of the fact that the Rule does not provide for a situation other than unauthorized use or failure to account for. In this case there is no denial of the fact that the Customs Authorities were informed of the fire accident on 5-12-04. In fact on the same day, stock verification was done in one of the three appellant units. In respect of the remaining the stock verification was done on 31-12-04 and 6-1-05. In none of the three orders there is an observation that the fire was manmade or there was a mala fide intention or it was not

accidental. Rule 8 provides for charging of duty when the goods imported/procured are utilized for the purposes other than authorised operations or failure to account for the goods. In this case it cannot be said that goods were utilized for purposes other than authorised operations since the expression used clearly means a deliberate utilization or misuse of the goods procured duty free for unauthorized operations. When there is an accidental fire resulting in destruction of goods, it cannot be said that it amounts to use of goods for unauthorized operations. Similarly, the second term namely failure to account for also cannot be applied since the shortage has been accounted for by fire accident and no evidence has been brought out by Revenue to show that goods have been procured or released elsewhere. Therefore there is no contravention of provisions of Rule 8 at all and this is the rule which authorizes Revenue to demand duty.”

(emphasis supplied)

3.4.14. Similar position has been upheld by the Hon’ble Tribunal in decision in the case of **Jindal International Vs. CC [2013 (290) ELT 729 (Tri)]**, wherein it is held:

“...6. We find that there is no dispute as regards there being shortage of imported goods at the time of visit of the officers and also there is no dispute as regards the fire accident, which took place in the factory premises of the appellants and loss of stocks of imported goods which has occurred due to fire. We find that the adjudicating authority has



considered the provisions of Rule 12 of SEZ Rules, 2003 and Regulation 28 of SEZ (Customs Procedure) Regulations, 2003 to hold that the appellant's case is not covered by the said provisions and hence the goods destroyed due to fire, having not been put to use for the intended purposes, the appellant is liable to pay the Customs duty foregone. We do not find any merits in the reasoning given by the adjudicating authority for more than one reasons. First and foremost, since there is no dispute that there was a fire accident in the appellant's factory and the goods were destroyed and the departmental officers were informed of such fire accident, demand of Customs duty foregone does not arise as the goods were in the factory premises when the fire accident took place. Secondly, we find that an identical issue came up before this Bench in the case of Satguru Polyfab Pvt. Limited (supra) and this Bench has recorded the following findings:-

"13. As can be seen Rule 8 of SEZ Rules, 2003 and Notification No. 52/2003-N.T., dated 22-7-2003 provides that where goods admitted duty free in the SEZ are used for the purposes other than authorised operations or where the units fail to account the goods, duty has to be paid as if the goods have been removed for home consumption. In this case the Custom's notification is recognizing the fact that when the goods are lying in

the SEZ they have to be treated as existing in the foreign territory and only when the same are not used or not accounted for, they have to be treated as cleared for home consumption. Therefore the whole issue in this case boils down to the fact as to whether the fire accident which lead to the destruction of goods can be said to be a breach of Rule 8 of SEZ Rules, 2003. We take note of the fact that the Rule does not provide for a situation other than unauthorized use or failure to account for. In this case there is no denial of the fact that the Customs Authorities were informed of the fire accident on 5-12-2004. In fact on the same day, stock verification was done in one of the three appellant units. In respect of the remaining the stock verification was done on 31-12-2004 and 6-1-2005. In none of the three orders there is an observation that the fire was manmade or there was a mala fide intention or it was not accidental. Rule 8 provides for charging of duty when the goods imported/procured are utilized for the purposes other than authorised operations or failure to account for the goods. In this case it cannot be said that goods were utilized for purposes other than authorised operations since the expression used clearly means a deliberate utilization or misuse of the goods procured duty free for unauthorized operations. When there is an accidental fire resulting in destruction of goods, it cannot be said that it amounts to use of goods for unauthorized operations. Similarly the second term namely failure to account for also cannot be applied since the shortage has been accounted for by fire accident and no evidence has been brought out by Revenue to show that goods

have been procured or released elsewhere. Therefore there is no contravention of provisions of Rule 8 at all and this is the rule which authorizes Revenue to demand duty.”

It can be noted from the above reproduced ratio of the decision of the Bench that the issue is now squarely covered in favour of the assessee as rightly contended by the learned counsel.

7. In view of the foregoing, the impugned order is liable to be set aside and we do so. Accordingly, the impugned order is set aside and appeal is allowed.”

3.4.15. The Noticee further places reliance on decision of the Hon’ble Tribunal in the case of **Sami Labs Limited Vs. CC [2007 (216) ELT 59 (Tri.)]**, affirmed by the Hon’ble Karnataka High Court vide **[2012 (278) ELT 601 (Kar.)]**, wherein it is held:

“5. We have gone through the records of the case carefully. The appellant’s unit is 100% EOU. 100% E.O.U. enjoys duty free import and procurement of capital goods and raw materials on the condition that they would export the finished goods in terms of the letter of permission given by the

competent authority. The capital goods procured duty free should be used in the manufacture of final products which are to be exported. Similarly the raw materials procured should be used in the manufacture of final goods to be exported. When the goods are not used for the intended purpose, the assessee who procures the goods at concessional rate of duty is liable to discharge the duty burden. In the present appeal, we are concerned only with the Central Excise duty liability as the appellants already got relief in respect of Customs duty. The Central Excise (Removal of Goods at Concessional Rate of Duty for Manufacture of Excisable Goods) Rules, 2001 have been framed by the Central Government under Section 37 of the Central Excise Act, 1944. In terms of Rule 6, if the goods procured are not used by the manufacturer for intended purpose, the manufacturer shall be liable to pay the differential duty. An explanation has been added to the above Rule. We are reproducing the explanation to Rule 6, herein below:-

“Explanation - For the removal of doubts, it is hereby clarified that subject goods shall be deemed to have been used for the intended purpose even if any of the quantity of the subject goods is lost or destroyed by natural causes or by unavoidable accidents [during] transport from the place of procurement to the manufacturer’s premises or from the manufacturer’s premises to the place of procurement] or during handling or storage in the manufacturer’s premises.”

In the present case, the goods were destroyed not during the transport from the place of procurement to the manufacturer's premises or during handling or storage in the manufacturer's premises. The Original Authority has given a finding that the raw materials have been issued for production and the same is under various stages of production. He has also stated that the capital goods have been installed and put to use. He has also given finding that the conditions of Notification No. 22/2003 C.E., dated 31-3-2003 have been fulfilled and hence the question of demanding the Central Excise duty forgone under the said Notification would not arise. The Commissioner (Appeals) on the contrary has held that the expression "handling" in the Explanation means usage of goods and extends up to the point when further process on the goods stop. Therefore according to him, even if the goods were 'work in progress', they would be covered by the expression "during handling" and they would also be hit by the Explanation. They will be considered as having not being used for the intended purpose and duty is rightly demandable. We find that in the fire accident, the imported goods involving Customs duty and indigenous goods involving excise duty were destroyed. The Revenue has no problem in remitting the Customs duty under Section 23 of the Customs Act. As regards the goods indigenously procured, both capital goods and raw materials are involved. On the question that the fire accident occurred in the production premises there is ample evidence and that fact is not under dispute. This clearly indicates that the raw materials have already been issued for the intended purpose. Therefore the materials lost in fire accident were in the form of 'work in progress'. The Revenue's contention and the Commissioner's (Appeals) view that even the 'work in progress' material would be covered by the Explanation to Rule 6 is not correct. Further, we would like to point out that according to Rule 21 of the Central Excise Rules, there is a provision for remission of duty in respect of the goods lost or destroyed by natural causes for unavoidable accidents. Even under Section 23 of the Customs Act, there is a provision of remission of Customs duty on goods lost or destroyed before their clearance. Therefore it does not stand to reason that the duty on indigenously procured duty free raw materials should be demanded when they are destroyed due to unavoidable accident/natural causes on the specious ground that they have not been used for the intended purpose. We find that the order of the Original authority is well reasoned. Therefore we hold that the raw materials/capital goods which are in the premises of production would not be hit by the Explanation to Rule 6. The above goods have actually been used for the intended purpose. The accident is not the making of the appellant and it should be considered to be an act of God. Hence it is not correct to demand the duty forgone. We allow the appeal with consequential relief."

(emphasis supplied)

3.4.16. While the above decisions relate to destruction of goods as a result of fire in a SEZ unit, the principle upheld in these decisions is that when there is an accidental fire resulting in destruction of goods, it cannot be said that it amounts to use of goods for unauthorized operations. The same principle is

applicable in the instant case where the Finished Products were stolen and recovered and post quality control destroyed in the SEZ Unit as the same did not meet quality control standards. Hence, it cannot be said that the Inputs used in the manufacture of the stolen Finished Products, which are destroyed, amounts to use of the Inputs for unauthorized operations.

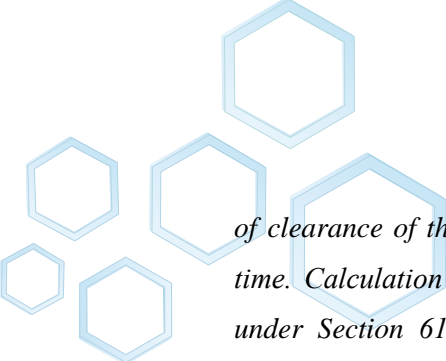
3.4.17. In view of above, there is no failure on the part of the Noticee to utilise the Inputs for authorised operations. Accordingly, demand of Duty foregone on the Inputs used in the stolen and recovered Finished Products not passing the quality control tests and incinerated within the SEZ Unit is bad in law and proposal to enforce the Bond-Cum-Legal Undertaking is not tenable. Accordingly, further proceedings under the Notice are liable to be dropped.

3.5. **Interest not Payable**

3.5.1. The Noticee submit that demand of interest is dependent upon liability for payment of duty. If there is no duty liability no interest can be demanded. The Noticee has made elaborate submissions in the foregoing paragraphs that no Customs Duty is payable by PI Industries and thus, there can be no demand for interest.

3.5.2. In this regard, the Noticee places reliance on decision of the Hon'ble Supreme Court in the case of **Pratibha Processors Vs. UOI [1996 (88) ELT 12 (SC)]**, wherein it is held:

“14. In the above backdrop, let us consider the scope and content of Section 61(2) of the Act as it existed at the relevant time. Section 61(1) prescribes the period during which the goods imported may remain in the warehouse. The normal period in different cases are provided therein. Extension of time in special cases is also provided. If the goods imported remain in warehouse beyond the period provided or extended under Section 61(1), the consequences are specified in Section 61(2) of the Act. As per the provisions of the Act duty is payable (only) when the goods are cleared. If the goods are not cleared within the time granted under Section 61(1) of the Act, and the goods are cleared later, the payment of duty exigible on the goods gets automatically delayed. It is to meet the said contingency. Section 61(2) provides that if the goods warehoused are cleared beyond the time specified or granted under Section 61(1) of the Act, interest not exceeding 18% per annum shall be payable on the amount of duty on the warehoused goods. It is implicit from the language of Section 61(2) of the Act that the interest shall be payable on the amount of duty “payable or due” on the warehoused goods for the period from the expiry of period specified or granted till the date of clearance of the goods from the warehouse. In this case, on the date



of clearance of the goods, no duty is payable. The goods are not exigible to duty at that time. Calculation of interest is always on the principal amount. The “interest” payable under Section 61(1)(2) of the Act is a mere “accessory” of the principal and if the principal is not recoverable/payable, so is the interest on it. This is a basic principle based on common sense and also flowing from the language of Section 61(1)(2) of the Act. The principal amount herein is the amount of duty payable on clearance of goods. When such principal amount is nil because of the exemption, a fortiori, interest payable is also nil. In other words, we are clear in our mind that the interest is necessarily linked to the duty payable. The interest provided under Section 61(2) has no independent or separate existence. When the goods are wholly exempted from the payment of duty on removal from the warehouse, one cannot be saddled with the liability to pay interest on a non-existing duty. Payment of interest under Section 61(2) is solely dependent upon the exigibility or factual liability to pay the principal amount, that is, the duty on the warehoused goods at the time of delivery. At that time, the principal amount (duty) is not payable due to exemption. So, there is no occasion or basis to levy any interest, either. We hold accordingly.”

3.5.3. Accordingly, demand of interest under Section 28AA of the Customs Act made in the Notice is not sustainable and further proceedings thereunder are liable to be dropped.

3.6. **Penalty not imposable**

In the Notice penalty is proposed to be imposed on PI Industries under Section 114A of the Customs Act read with Section 112(a) thereof, separate submission on which are being made hereinafter.

3.6.1. **Penalty not imposable under Section 112(a) of the Customs Act**

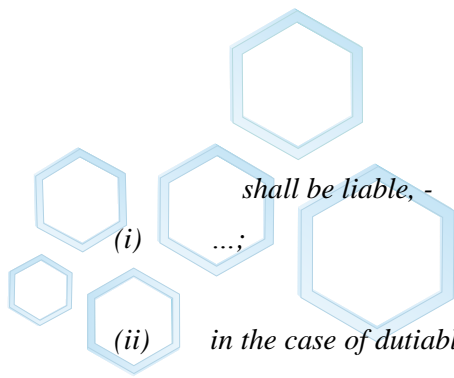
3.6.1.1. Section 112(a) of the Customs Act reads:

“Section 112. Penalty for improper importation of goods, etc.-

Any person, -

(a) who, in relation to any goods, does or omits to do any act which act or omission would render such goods liable to confiscation under [section 111](#), or abets the doing or omission of such an act, or

...



shall be liable, -

(i)

...;

(ii)

in the case of dutiable goods, other than prohibited goods, subject to the provisions of [section 114A](#), to a penalty not exceeding ten per cent. of the duty sought to be evaded or five thousand rupees, whichever is higher :

..;”

3.6.1.2. At the outset the Noticee submit that penalty under Section 112(a) of the Customs Act can be imposed only when alleged omission or commission of an act by a person renders goods liable for confiscation. Hence, unless offending goods are liable for confiscation, no penalty can be imposed on any person under Section 112(a) of the Customs Act. In the instant case the Notice does not makes any allegation of omission or commission of an act on the part of PI Industries and proposing to confiscate the Finished Products, which did not pass quality control, or any goods for that matter. In the absence of proposal for confiscation of the Finished Products in the Notice, penalty on the Noticee is not imposable under Section 112(a) of the Customs Act.

3.6.1.3. In this regard, the Noticee places reliance on decision of the Hon’ble Tribunal in the case of **Ring Gears India Limited Vs. CC [2017 (356) ELT 158 (Tri.)]**, relevant extract of which reads:

“7. Mere availment of credit is not sufficient to invoke the provisions of Section 111 of Customs Act, 1962. The goods could not have been held to be liable for confiscation without evidence of post-importation conditions having been breached. Availment of Cenvat credit, even if factually established which it was not, is a pre-importation occurrence by the licence-holder which does not conform to the frame-work of Section 111 of Customs Act, 1962 that concerns imported goods and importer. The clearance afforded to the original licensee by Customs authorities as a prelude to endorsement of transferability would have ascertained conformity with condition in the exemption notification. As the goods could not have been held to be liable to confiscation, there is no justification for imposition of penalty under Section 112 of Customs Act, 1962. Appeal of Revenue also fails on this count.

8. In view of the above, the impugned order is not sustainable and is set aside. Appeal of Revenue is dismissed and appeal of M/s. Ring Gears India Ltd. is allowed.”

(emphasis supplied)

3.6.1.4. Thus, in the absence of proposal in the Notice for confiscation of the Finished Products which did not pass quality control, or any goods for that matter, no penalty under Section 112(a) of the Customs Act can be imposed on PI Industries in the matter.

3.6.2. Penalty not imposable under Section 114A of the Customs Act

3.6.2.1. Section 114A of the Customs Act provide for imposition of penalty where Customs Duty is short levied or paid by reason of collusion or any willful misstatement or suppression of facts, which reads:

“Section 114A. Penalty for short-levy or non-levy of duty in certain cases. –

Where the duty has not been levied or has been short-levied or the interest has not been charged or paid or has been part paid or the duty or interest has been erroneously refunded by reason of collusion or any wilful mis-statement or suppression of facts, the person who is liable to pay the duty or interest, as the case may be, as determined under³ [sub-section (8) of [section 28](#)] shall also be liable to pay a penalty equal to the duty or interest so determined:

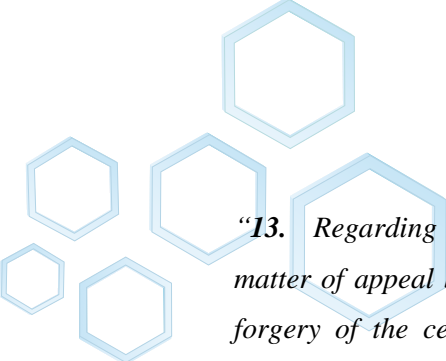
Provided also that where any penalty has been levied under this section, no penalty shall be levied under [section 112](#) or [section 114](#).”

(emphasis supplied)

3.6.2.2. Thus, penalty under Section 114A of the Customs Act can be imposed in case of demand of Customs Duty made on the allegation of suppression or any wilful misstatement or suppression of facts and not otherwise.

3.6.2.3. The instant case is of demand of Customs Duty foregone on the Inputs used in manufacture of the stolen and recovered Finished Products which did not pass quality control and there is no allegation of suppression or any wilful misstatement or suppression of facts in the Notice against PI Industries. Hence, penalty under Section 114A of the Customs Act cannot be imposed on the Noticee in the instant case.

3.6.2.4. In this regard the Noticee places reliance on decision of the Hon’ble Tribunal in the case of **CC Vs. Orient Ceramics & Industries Limited [2016 (344) ELT 449 (Tri.)]**, relevant extract of which reads:



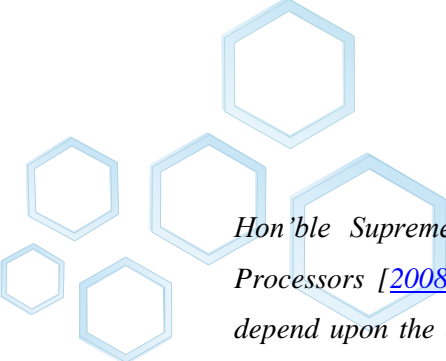
“13. Regarding non-imposition of penalty under Section 114A on OCIL which is subject matter of appeal by Revenue, we find that OCIL were not involved in any manner in the forgery of the certificates. The original authority is correct in not imposing the said penalty.

14. Here, it is necessary to distinguish the confirmation of demand for extended period and imposition of penalty equal to the duty on the importer. Admittedly, the present case involves peculiar facts and circumstances. The documents in the form of certificates by the Competent Ministry are found to be forged which made the goods ineligible for exemption. At the same time, the importer, who claimed the exemption, was found to be not involved in such forgery. The goods are to be assessed as per the applicable legal provisions and duty to be charged on them based on the valid claims. In the present case, the goods are not eligible for concession as the supporting certificate for such exemption was not genuine. As such the duty which escaped assessment by presentation of the improper and forged document has to be paid by the importer.

15. Regarding the question of penalty on the importer, the same will stand in a different footing. Unlike duty which is on the goods, penalty is on the importer and it is necessary to show that the importer has rendered himself by his act of collusion, wilful misstatement or misrepresentation liable for penalty under Section 114A. In the present case, such ingredients are not proven so the penalty under Section 114A cannot be imposed on the

importer (OCIL). Revenue pleaded that when the demand has been confirmed invoking extended period it automatically follows equal penalty has to be imposed. We have already noted the facts and circumstances of the case and how they are different from a case where collusion, misstatement, etc., are attributable to the person who claimed any improper concession resulting in short-payment of duty. Though the expressions used in proviso to Section 28(1) and Section 114A are similar the consequences of their application are not

*similar. One deals with duty demand and the other deals with levy of penalty. It is necessary for imposing penalty under Section 114A, the person liable to such penalty should be shown to be involved in collusion, misstatement, etc. On careful perusal of the impugned order, we find that the findings of the original authority is based on correct appreciation of all material facts and hence there is no ground to interfere with such findings. Revenue relied on Hon'ble Supreme Court's decision in *Union of India v. Rajasthan Spinning & Weaving Mills* reported in [2009 \(238\) E.L.T. 3](#) (S.C.). We find the*



Hon'ble Supreme Court relying on their earlier decision in Dharamendra Textile Processors [2008 (231) E.L.T. 3 (S.C.)], held that application of Section 11AC would depend upon the existence or otherwise of the conditions expressly stated in the section, once the section is applicable in a case the concerned authority would have no discretion in quantifying the amount of penalty. Here, in the present case the original authority found that the conditions stated in Section 114A are not applicable. We are in agreement with said findings. "

(emphasis supplied)

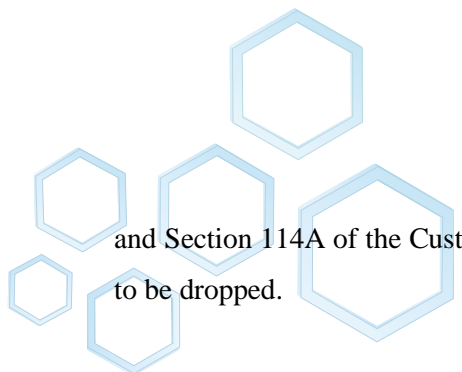
3.6.2.5. The Noticee further places reliance on decision of the Hon'ble Tribunal in the case of **Inditalia Refcon Limited Vs. CCE [2013 (293) ELT 387 (Tri.)]** wherein it is held:

"6.4 As already discussed (supra) the export/removal of the goods have been as per the provision of Chapter IX of the Warehousing and the department could not bring out the condition which are not fulfilled or any provision has been contravened. In these circumstances, the goods are not liable for confiscation. Further, penalty under Section 114A is imposable in case duty has not been levied or has been short-levied, etc., by reason of fraud, collusion or wilful mis-statement or suppression of facts or contravention of Central Excise Act or Rules, 1944 with intent to evade payment of duty. No such ingredients have been brought out by the department. In these circumstances, penalty imposed under Section 112 of Customs Act, 1962 and Rule 173Q of Central Excise Rules,

1944 is also not sustainable. As such, the impugned order is sustainable barring the penalty imposed under Section 112 of Customs Act, 1962 and penalty imposed under Rule 173Q. Therefore, the penalties imposed under Section 112 of Customs Act, 1962 and penalty imposed under Rule 173Q of erstwhile Central Excise Rules, 1944 are set aside and the impugned order is modified to that extent. The Revenue's appeal is dismissed and the appeals filed by the Unit are allowed."

(emphasis supplied)

3.6.3. Notwithstanding above submissions, the Notice proposes to impose penalty on the Noticee under Section 114A of the Customs Act read with Section 112(a) thereof. However, proviso to Section 114A of the Customs Act provide that if penalty is levied under Section 114A thereof, no penalty can be imposed under Section 112 thereof. Hence, proposal to impose penalty both under Section 112(a)



and Section 114A of the Customs Act is bad in law and further proceeding under the Notice are liable to be dropped.

3.6.4. In view of above, no penalty is imposable on the Noticee under Section 114A read with Section 112(a) of the Customs Act and further proceedings under the Notice are liable to be dropped.

Accordingly, the Noticee request the learned Adjudicating Authority to drop further proceedings under the Notice.

In case the learned Authority still intends to proceed with adjudication of the Notice, PI Industries may kindly be granted physical personal hearing before passing of order in the matter.

Thanking you.

Yours faithfully,

For **PI Industries Limited**

RIKEN Digitally signed
by RIKEN SHAH
Date:
SHAH 2025.10.29
12:26:49 +05'30'

(Authorized Signatory)

Encl: Annexure – 1.

TR6/GAR 7 CHALLAN NO: 04/2025-26 DT. 06.10.2025
(Treasuray Rule 92/Receipt & Payment Rules 26)

Challan for amount paid into the
Bank of Baroda, Dahej, BHARUCH
Name of the Bank/Branch with code No
BOB Bharuch 0202605
Name of the Focal Point Bank
BOB VADODARA

Name and Address of the assessee/Importer/Exporter
PI INDUSTRIES LTD(STERLING SEZ UNIT) PLOT NO. SPM, 29/2, TAL: JAMBUSAR, VILL: SAROD, DIST: BHARUCH(GUJ)
(Assessee/Importer/Exporter Code No 1393001114

ORIGINAL (To be sent to PAO through Focal Point Branch)
DUPLICATE (For Assessing Authority for Release of Goos Etc to be through Assessee)
TRIPPLICATE (Assessee/Depositer's/copy) Not Valid for clearing goods
QUADRUPPLICATE (To be sent to Nominated Range office/Superintendent of customs through
Accounting Coletrate VADODARA-II
Division BHARUCH-IV
STERLING SEZ
PAN NO. AABCP2183M AABCP2183M

Full Particulars of the remittance and Bill of entry No and date /Bill of shipment No & Date etc./Name of the commodity imported/exported with tariff item No.	Head of Account and Major Head (Indicate below the appropriate Minor Head from the list on the Reverse)	Accounting Code No	By Cash		By Cheque/Draft/Pay order etc		Counter Signature of the Department officer(Where required)
			Rs	ps	Rs	ps	
Return back claimed DBK along with Interest As per Annexure-I Show cause notice:- F No. CUS/EPF/OTH/77/2025-EPC-BRH-CUS-COMMRTE and DIN 20250871MN0000082C3 dated August 13, 2025 Chq No. 000524 Date: 06.10.2025		37001		Return back claimed DBK along with Interest	3591.00		
TOTAL					3591		

Date: 06.10.2025
(To be filled by the Bank)
Received Payment (in Words)
Rupees:

For, **PI INDUSTRIES LTD.**
Signature of the Funder
(UNIT SEZ)

AUTHORISED SIGNATORY

Space for Focal Point Bank Stamp indicating the date, amount credited to Government Account

Bank's Receipt Stamp:
Name of the Bank

