



सीमा शुल्क(अपील) आयुक्त का कार्यालय, अहमदाबाद

OFFICE OF THE COMMISSIONER OF CUSTOMS (APPEALS), AHMEDABAD,

चौथी मंजिल 4th Floor, हडको भवन HUDCO Bhawan, ईश्वर भुवन रोड Ishwar Bhuvan Road
नवरंगपुरा Navrangpura, अहमदाबाद Ahmedabad - 380 009
दूरभाष क्रमांक Tel. No. 079-26589281

DIN - 20250671MN0000318614

क	फ़ाइल संख्या FILE NO.	S/49-94/CUS/MUN/2024-25
ख	अपील आदेश संख्या ORDER-IN- APPEAL NO. (सीमा शुल्क अधिनियम, 1962 की धारा 128क के अंतर्गत)(UNDER SECTION 128A OF THE CUSTOMS ACT, 1962)	MUN-CUSTM-000-APP-108-25-26
ग	पारितकर्ता PASSED BY	Shri Amit Gupta Commissioner of Customs (Appeals), Ahmedabad
घ	दिनांक DATE	30.06.2025
ङ	उद्भूत अपील आदेश की सं. व दिनांक ARISING OUT OF ORDER-IN- ORIGINAL NO.	Order – In – Original No. MCH/ADC/MK/51/2023-24 dated 04.06.2024
च	अपील आदेश जारी करने की दिनांक ORDER- IN-APPEAL ISSUED ON:	30.06.2025
छ	अपीलकर्ता का नाम व पता NAME AND ADDRESS OF THE APPELLANT:	M/s Diat Agro Holding Pvt. Ltd. (IEC: 0511093748), Balaji Place, 2633-36, Naya Bazar, Delhi, New Delhi - 110006



1	यह प्रति उस व्यक्ति के निजी उपयोग के लिए मुफ्त में दी जाती है जिनके नाम यह जारी किया गया है।
	This copy is granted free of cost for the private use of the person to whom it is issued.
2.	सीमाशुल्क अधिनियम 1962 की धारा 129 डी डी (1) (यथा संशोधित) के अधीन निम्नलिखित श्रेणियों के मामलों के सम्बन्ध में कोई व्यक्ति इस आदेश से अपने को आहत महसूस करता हो तो इस आदेश की प्राप्ति की तारीख से 3 महीने के अंदर अपर सचिव/संयुक्त सचिव (आवेदन संशोधन), वित्त मंत्रालय, (राजस्व विभाग) संसद मार्ग, नई दिल्ली को पुनरीक्षण आवेदन प्रस्तुत कर सकते हैं।
	Under Section 129 DD(1) of the Customs Act, 1962 (as amended), in respect of the following categories of cases, any person aggrieved by this order can prefer a Revision Application to The Additional Secretary/Joint Secretary (Revision Application), Ministry of Finance, (Department of Revenue) Parliament Street, New Delhi within 3 months from the date of communication of the order.
	निम्नलिखित सम्बन्धित आदेश/Order relating to :
(क)	बैगेज के रूप में आयातित कोई माल।
(a)	any goods exported
(ख)	भारत में आयात करने हेतु किसी वाहन में लादा गया लेकिन भारत में उनके गन्तव्य स्थान पर उतारे न गए माल या उस गन्तव्य स्थान पर उतारे जाने के लिए अपेक्षित माल उतारे न जाने पर या उस गन्तव्य स्थान पर उतारे गए माल की मात्रा में अपेक्षित माल से कमी हो।
(b)	any goods loaded in a conveyance for importation into India, but which are not unloaded at their place of destination in India or so much of the quantity of such goods as has not been unloaded at any such destination if goods unloaded at such destination are short of the quantity required to be unloaded at that destination.
(ग)	सीमाशुल्क अधिनियम, 1962 के अध्याय X तथा उसके अधीन बनाए गए नियमों के तहत शुल्क वापसी की अदायगी।
(c)	Payment of drawback as provided in Chapter X of Customs Act, 1962 and the rules made thereunder.
3.	पुनरीक्षण आवेदन पत्र संगत नियमावली में विनिर्दिष्ट प्रारूप में प्रस्तुत करना होगा जिसके अन्तर्गत उसकी जांच की जाएगी और उस के साथ निम्नलिखित कागजात संलग्न होने चाहिए :
	The revision application should be in such form and shall be verified in such manner as may be specified in the relevant rules and should be accompanied by :
(क)	कोर्ट फी एक्ट, 1870 के मद सं.6 अनुसूची 1 के अधीन निर्धारित किए गए अनुसार इस आदेश की 4 प्रतियां, जिसकी एक प्रति में पचास पैसे की न्यायालय शुल्क टिकट लगा होना चाहिए।
(a)	4 copies of this order, bearing Court Fee Stamp of paise fifty only in one copy as prescribed under Schedule 1 item 6 of the Court Fee Act, 1870.
(ख)	सम्बद्ध दस्तावेजों के अलावा साथ मूल आदेश की 4 प्रतियां, यदि हो
(ब)	4 copies of the Order-in-Original, in addition to relevant documents, if any
(ग)	पुनरीक्षण के लिए आवेदन की 4 प्रतियां
(c)	4 copies of the Application for Revision.
(घ)	पुनरीक्षण आवेदन दायर करने के लिए सीमाशुल्क अधिनियम, 1962 (यथा संशोधित) में निर्धारित फीस जो अन्य रसीद, फीस, दण्ड, जब्ती और विविध मदों के शीर्ष के अधीन आता है में रु. 200/- (रूपए दो सौ मात्र) या रु. 1000/- (रूपए एक हजार मात्र), जैसा भी मामला हो, से सम्बन्धित भुगतान के प्रमाणिक चलान टी.आर.6 की दो प्रतियां। यदि शुल्क, मांगा गया ब्याज, लगाया गया दंड की राशि और रूपए एक लाख या उससे कम हो तो ऐसे फीस के रूप में रु.200/- और यदि एक लाख से अधिक हो तो फीस के रूप में रु.1000/-
(d)	The duplicate copy of the T.R.6 challan evidencing payment of Rs.200/- (Rupees two Hundred only) or Rs.1,000/- (Rupees one thousand only) as the case may be, under the Head of other receipts, fees, fines, forfeitures and Miscellaneous Items being the fee prescribed in the Customs Act, 1962 (as amended) for filing a Revision Application. If the



	amount of duty and interest demanded, fine or penalty levied is one lakh rupees or less, fees as Rs.200/- and if it is more than one lakh rupees, the fee is Rs.1000/-.	
4.	मद सं. 2 के अधीन सूचित मामलों के अलावा अन्य मामलों के सम्बन्ध में यदि कोई व्यक्ति इस आदेश से आहत महसूस करता हो तो वे सीमाशुल्क अधिनियम 1962 की धारा 129 ए (1) के अधीन फॉर्म सी.ए.-3 में सीमाशुल्क, केन्द्रीय उत्पाद शुल्क और सेवा कर अपील अधिकरण के समक्ष निम्नलिखित पते पर अपील कर सकते हैं	
	In respect of cases other than these mentioned under item 2 above, any person aggrieved by this order can file an appeal under Section 129 A(1) of the Customs Act, 1962 in form C.A.-3 before the Customs, Excise and Service Tax Appellate Tribunal at the following address :	
	<p>सीमाशुल्क, केन्द्रीय उत्पाद शुल्क व सेवा कर अपीलिय अधिकरण, पश्चिमी क्षेत्रीय पीठ</p> <p>दूसरी मंजिल, बहुमाली भवन, निकट गिरधरनगर पुल, असारवा, अहमदाबाद-380016</p>	Customs, Excise & Service Tax Appellate Tribunal, West Zonal Bench
		2 nd Floor, Bahumali Bhavan, Nr.Girdhar Nagar Bridge, Asarwa, Ahmedabad-380 016
5.	सीमाशुल्क अधिनियम, 1962 की धारा 129 ए (6) के अधीन, सीमाशुल्क अधिनियम, 1962 की धारा 129 ए (1) के अधीन अपील के साथ निम्नलिखित शुल्क संलग्न होने चाहिए-	
	Under Section 129 A (6) of the Customs Act, 1962 an appeal under Section 129 A (1) of the Customs Act, 1962 shall be accompanied by a fee of -	
(क)	अपील से सम्बन्धित मामले में जहां किसी सीमाशुल्क अधिकारी द्वारा मांगा गया शुल्क और व्याज तथा लगाया गया दंड की रकम पाँच लाख रूपए या उससे कम हो तो एक हजार रुपए.	
(a)	where the amount of duty and interest demanded and penalty levied by any officer of Customs in the case to which the appeal relates is five lakh rupees or less, one thousand rupees;	
(ख)	अपील से सम्बन्धित मामले में जहां किसी सीमाशुल्क अधिकारी द्वारा मांगा गया शुल्क और व्याज तथा लगाया गया दंड की रकम पाँच लाख रूपए से अधिक हो लेकिन रुपये पचास लाख से अधिक न हो तो; पाँच हजार रुपए	
(b)	where the amount of duty and interest demanded and penalty levied by any officer of Customs in the case to which the appeal relates is more than five lakh rupees but not exceeding fifty lakh rupees, five thousand rupees ;	
(ग)	अपील से सम्बन्धित मामले में जहां किसी सीमाशुल्क अधिकारी द्वारा मांगा गया शुल्क और व्याज तथा लगाया गया दंड की रकम पचास लाख रूपए से अधिक हो तो; दस हजार रुपए.	
(c)	where the amount of duty and interest demanded and penalty levied by any officer of Customs in the case to which the appeal relates is more than fifty lakh rupees, ten thousand rupees	
(घ)	इस आदेश के विरुद्ध अधिकरण के सामने, मांगे गए शुल्क के 10% अदा करने पर, जहां शुल्क या शुल्क एवं दंड विवाद में हैं, या दंड के 10% अदा करने पर, जहां केवल दंड विवाद में है, अपील रखा जाएगा।	
(d)	An appeal against this order shall lie before the Tribunal on payment of 10% of the duty demanded where duty or duty and penalty are in dispute, or penalty, where penalty alone is in dispute.	
6.	उक्त अधिनियम की धारा 129 (ए) के अन्तर्गत अपील प्राधिकरण के समक्ष दायर प्रत्येक आवेदन पत्र- (क) रोक आदेश के लिए या गलतियों को सुधारने के लिए या किसी अन्य प्रयोजन के लिए किए गए अपील : - अथवा (ख) अपील या आवेदन पत्र का प्रत्यावर्तन के लिए दायर आवेदन के साथ रुपये पाँच सौ का शुल्क भी संलग्न होने चाहिए.	
	Under section 129 (a) of the said Act, every application made before the Appellate Tribunal-	
	(a) in an appeal for grant of stay or for rectification of mistake or for any other purpose; or	
	(b) for restoration of an appeal or an application shall be accompanied by a fee of five Hundred rupees.	



ORDER-IN-APPEAL

M/s Diat Agro Holding Pvt. Ltd., (IEC: 0511093748), Balaji Place, 2633-36, Naya Bazar, Delhi, New Delhi - 110006 (hereinafter referred to as "the appellant") has filed the present appeal in terms of Section 128 of the Customs Act, 1962 against Order-In-Original No. MCH/ADC/MK/51/2023-24 dated 04.06.2024 (hereinafter referred to as "the impugned order") passed by the Additional Commissioner of Customs, Customs House, Mundra, Kutch (hereinafter referred to as "the adjudicating authority").

2. Briefly stated, facts of the case are that on 05.04.2024, the Appellant filed Shipping Bill No. 8929297 for the export of a consignment comprising 230 Metric Tons (MTS) of "Indian Golden Sella Premium Basmati Rice" destined for Djibouti. The goods were declared under Customs Tariff Heading (CTH) 10063020, with a declared Free on Board (FOB) value of INR 1,82,38,080/- . This declaration formed the initial basis of the transaction with Customs.

2.1 Acting on intelligence, the Special Intelligence and Investigation Branch (SIIB), Mundra Customs, intercepted the said consignment on 26.04.2024. A subsequent examination of the consignment was conducted on 29.04.2024. During this process, representative samples were drawn from the consignment and were forwarded to the Central Revenue Control Laboratory (CRCL), Kandla, on 30.04.2024 for testing and analysis.

2.2 CRCL, Kandla, issued its Test Report No. SIB-888 on 10.05.2024. The report, based on its analysis, concluded that the sample "may be considered as Parboiled Rice (Non-Basmati)". The key parameters noted in this report included an average grain length of 6.86 mm and a Length/Width (L/W) Ratio of 3.49.

2.3 The Appellant, vide letter dated 17.05.2024, requested a retest of the samples to verify the characteristics of the rice. The Customs authorities forwarded this retest request to CRCL, Kandla, on 20.05.2024. However, as per the records leading to the impugned order, the appellant subsequently submitted a letter dated 24.05.2024 withdrawing their earlier retest request. In this letter, the appellant purportedly accepted the lab report dated 10.05.2024, attributed the discrepancy to "human error," and expressed readiness to pay duty on the value of parboiled rice. Following this, the Appellant filed a new Shipping Bill No.



1446883 on 05.06.2024, declaring the goods as "Indian Parboiled Non-Basmati Rice" under CTH 10063010 with a revised FOB value of INR 93,90,693/-.

2.4 The adjudicating authority, adjudicated the case vide impugned order wherein she ordered as under :

- (i) She rejected the description as well as classification of the goods to be exported vide Shipping Bill No.8929297 dated 05.04.2024 i.e. "Basmati Rice" under CTH-10063020 and re-classified as "Parboiled Rice" under CTH-10063010;
- (ii) She rejected the declared assessable/FOB value of the goods to be exported vide Shipping Bill No. 8929297 dated 05.04.2024 i.e. Rs. 1,82,38,080/- and ordered to re-assess the same at the assessable/FOB value of Rs.93,65,188/-. Further, she ordered that export duty @20% amounting to Rs.18,73,037.6/- was also imposable on the above FOB Value of Rs.93,65,188/-;
- (iii) She confiscated the impugned goods covered under Shipping Bill No.8929297 dated 05.04.2024 under Section 113(i) of the Customs Act,1962. However, since goods are perishable in nature and are not prohibited, she gave the option to the appellant to redeem the same against payment of a Redemption Fine of Rs.9,85,000/- (Rupees Nine lakh Eighty Five thousand only) under Section 125 of the Customs Act, 1962,
- (iv) She imposed Penalty of Rs.1,75,000/- (Rupees One lakh Seventy Five thousand only) on the appellant under Sections 114(ii) of the Customs Act, 1962 .

3. Being aggrieved with the impugned order, the appellant has filed the present appeal contending, inter alia, as under:

3.1 The appellant contends that the CRCL, Kandla, and consequently the learned Adjudicating Authority, erroneously relied on testing standards prescribed by the Food Safety and Standards Authority of India (FSSAI) for the analysis and classification of the rice consignment. It is argued that the appropriate and legally mandated standards for the classification of "Basmati Rice" for export purposes under HS Code 10063020 are those stipulated by the



Directorate General of Foreign Trade (DGFT) Notification No. 18/2015-2020 dated 01.08.2016. This notification is presented as the cornerstone for determining Basmati Rice qualification, laying down specific parameters regarding grain length and L/B ratio. Further, Vizag Customs Public Notice 22/2023 dated 31.10.2023 is cited to demonstrate an established practice within the Customs department to follow DGFT guidelines for Basmati rice classification.

3.2 The appellant contends that even the CRCL Kandla report (No. SIB-888) indicates an Average Grain Length of 6.86 mm, which meets the DGFT requirement of being more than 6.61 mm. While the reported Length/Width (L/W) Ratio was 3.49, marginally below the DGFT standard of more than 3.5, this difference (0.01, or less than 0.3%) is argued to be within the acceptable range of natural variation inherent in agricultural products. Other parameters reported by CRCL, such as Elongation Ratio and Average Length of Cooked Rice, are also stated to support the Basmati character of the rice.

3.3 The appellant has furnished test reports from three independent, accredited laboratories (Intertek, IRCLASS Systems and Solutions Pvt. Ltd., and UniQ Nutri Bio-Sciences) based on samples allegedly drawn simultaneously during the Customs examination. These reports are claimed to consistently and unequivocally confirm that the exported rice meets all the parameters for Basmati Parboiled Rice as stipulated by the DGFT. It is highlighted that the UniQ Nutri Bio-Sciences report is dated 22.05.2024, predating both the Appellant's letter of "acceptance" (24.05.2024) and the issuance of the Impugned OIO (04.06.2024).

3.4 The appellant contends that they were placed in an economically untenable position. Faced with perishable goods incurring substantial detention and demurrage charges, and an allegedly exorbitant bank guarantee demand of Rs. 55 lakhs for provisional release (an amount nearly double the total duty, fine, and penalty eventually confirmed), the appellant asserts they were effectively coerced into "accepting" the CRCL report, withdrawing the retest request, and filing a new Shipping Bill. Such actions, taken under severe economic duress, are argued not to constitute a voluntary or free acceptance. The handling of the retest request, with no communication regarding its outcome for seven days, is also cited as indicative of a biased approach. The appellant contends that the Central Revenue Control Laboratory (CRCL) overstepped its designated role. It is contended that CRCL's function is to conduct scientific tests and report factual



findings, not to offer an opinion on or determine the legal classification of goods. By concluding that the sample "may be considered as Parboiled Rice (Non-Basmati)," CRCL is said to have ventured into the domain of classification, a quasi-judicial function of the proper officer of Customs. The Adjudicating Authority is faulted for relying on this opinionated conclusion.

3.5 They further argued that if the goods are correctly classifiable as "Indian Golden Sella Premium Basmati Rice" under CTH 10063020, then the foundation for penal actions collapses. Confiscation under Section 113(i) of the Customs Act, 1962, is challenged on the basis that there was no misdeclaration in a "material particular," as Basmati Rice under CTH 10063020 was not subject to export duty at the material time. Consequently, the redemption fine under Section 125 and penalty under Section 114(ii) (which presupposes dutiable goods or liability to confiscation) are also contested, asserting an absence of *mens rea* or malafide intent.

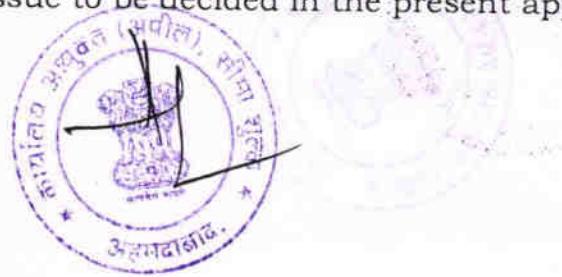
3.6 The appellant, in support of their contentions by relied on several judicial precedents, including: *ARYA INTERNATIONAL vs. COMMISSIONER OF CUSTOMS, KANDLA* (2016 (332) E.L.T. 726 (Tri. -Ahmd.)) regarding adherence to DGFT norms; *Collector of Customs v. East West Exporters*, 1991 (52) E.L.T. 66 (Tri.-Del) and *M/s McLloyd's & Company v. Commissioner of Customs Ahmedabad*, 2014 (310) E.L.T. 929 (Tri. -Ahmd) concerning the limits of a chemical examiner's role; and other cases such as *Global Impex vs. Commissioner of Customs, Noida* (2018 (364) E.L.T. 807 (Tri. -All.)), *New Bharat Rice Mills vs. Commissioner of Central Excise, Delhi-III* (2017 (355) E.L.T. 590 (Tri.-Chan.)), and *Tapan Traders vs. Commissioner of Customs (P), Kolkata* (2019 (370) E.L.T. 1612 (Tri.-Cal.)).

PERSONAL HEARING:

4. Shri Ashok Israni, Consultant, appeared for the personal hearing on 28.05.2025 on behalf of the appellant. He reiterated the submissions made in the appeal memorandum.

DISCUSSION AND FINDINGS

5. I have gone through the facts of the case available on record, the grounds of appeal, submissions made by the appellant at the time of filing the appeal and during the personal hearing, the impugned order passed by the adjudicating authority, and the various documents, notifications, and case laws relied upon by both sides. The primary issue to be decided in the present appeal is whether



the adjudicating authority was correct in re-classifying the appellant's export goods, originally declared as "Indian Golden Sella Premium Basmati Rice" under CTH 10063020, to "Parboiled Rice" under CTH 10063010. Consequentially, it needs to be determined whether the rejection of the declared FOB value, the levy of export duty, the order for confiscation of goods, the imposition of redemption fine, and the levy of penalty are sustainable in law and on facts.

5.1 The appellant has contended that, for the purpose of classifying "Basmati Rice" under CTH 1006 30 20 for export, the standards prescribed in DGFT Notification No. 18/2015-2020 dated 01.08.2016 are determining factor. According to the appellant, both the CRCL and the adjudicating authority erred in applying FSSAI standards, which are not relevant in the context of export classification. The DGFT notification specifically stipulates parameters such as a minimum grain length of greater than 6.61 mm and a minimum length-to-breadth (L/B) ratio exceeding 3.5—for rice to qualify as Basmati for export purposes. In support of this position, the appellant has also placed reliance on Vizag Customs Public Notice No. 22/2023, which reaffirms adherence to DGFT norms for Basmati rice exports, highlighting that this practice is well recognized within the department and aimed at ensuring uniform application of the export policy.

5.1.1 I find considerable merit in the appellant's contention. The DGFT, as the statutory authority responsible for formulating and implementing India's foreign trade policy, issues notifications that often prescribe quality parameters and conditions for the export of specific commodities, including agricultural goods such as Basmati rice—which enjoys Geographical Indication (GI) status and is subject to clearly defined quality standards in the international market. While FSSAI standards play a vital role in ensuring food safety for domestic consumption and imports, they are not necessarily intended to govern export-specific classification or quality requirements. These export parameters, particularly when prescribed by DGFT under the Foreign Trade Policy, are aimed at preserving the identity, integrity, and international reputation of Indian exports. Accordingly, applying FSSAI standards in such cases, where they conflict with or deviate from the specific export criteria laid down by DGFT, would not be appropriate. It is a well-settled legal principle that special provisions prevail over general ones. In this context, DGFT notifications, being specific to export regulation, must take precedence over general food safety norms. The decision of the Hon'ble CESTAT in *Arya International vs. Commissioner of Customs, Kandla* [2010 (1532) E.L.T. 726 (Tri.-Ahmd.)], relied upon by the



appellant, supports this view. In that case, AGMARK standards were held to be appropriate for export classification as they were in harmony with DGFT guidelines. This reinforces the position that testing or classification standards for exports must be consistent with the applicable DGFT notifications. Accordingly, in the present case, **DGFT Notification No. 18/2015-2020 dated 01.08.2016** should form the primary basis for determining whether the goods in question qualify as “Basmati rice” for export under CTH 1006 30 20.

5.2 Upon examining CRCL, Kandla Test Report No. SIB-888 dated 10.05.2024, I observe that the Average Grain Length (AGL) of the sample was reported as 6.86 mm, which clearly satisfies the DGFT-prescribed requirement of being greater than 6.61 mm. The Length-to-Width (L/W) ratio was reported as 3.49, marginally below the DGFT threshold of >3.5. This deviation of 0.01, amounting to approximately 0.28%, is minimal. It is well recognized that agricultural products, being natural in origin, are subject to inherent and minor variations across individual grains or batches. A deviation of such negligible magnitude—particularly when the AGL criterion is fully met—should reasonably be assessed in the context of the overall compliance with the DGFT standards, rather than forming the sole basis for disqualification. The adjudicating authority, however, appears not to have given due consideration to this aspect.

5.3 In contrast to the single CRCL report, the appellant has submitted three independent test reports issued by NABL-accredited laboratories:

- (i) Intertek (Report No. IFSH-240612001 dated 13.06.2024),
- (ii) IRCLASS Systems and Solutions Pvt. Ltd. (Report No. ISSPL/FA/24-25/09319/A dated 12.06.2024)
- (iii) UniQ Nutri Bio-Sciences (Report No. UNBS/F/240600-486 dated 22.05.2024).

According to the appellant, these reports are based on samples drawn simultaneously with the Customs sample. Notably, all three independent reports present a consistent finding in support of the appellant's claim.

The following table provides a comparative analysis of the key parameters:

Parameter	DGFT Notification 18/2015- 2020 Standard	CRCL Kandla Report (SIB-888, 10.05.2024)	Intertek Report (IFSH- 240612001, 13.06.2024)	IRCLASS Report (ISSPL/FA/24- 25/09319/A, 12.06.2024)	UniQ Report (UNBS/F/240 600-486, 22.05.2024)
Average Grain Length (mm)	> 6.61	6.86	7.12	6.92	6.92
L/W (or L/B) Ratio	> 3.5	3.49	3.71	3.78	3.78
Elongation Ratio	> 1.5 (as per trade understanding)	1.69	1.81	1.75	1.75
Avg. Length Cooked Rice (mm)	> 9.9 (APEDA/FSSAI benchmark)	11.82	12.90	12.09	12.09

The comparative table clearly establishes that all three independent laboratory reports confirm the rice samples to be well within the parameters stipulated for Basmati rice under DGFT Notification No. 18/2015-2020. Specifically, the Length-to-Width (L/W) ratios reported are significantly above the threshold of 3.5, and the Average Grain Length (AGL) values also comfortably exceed the required minimum. The uniformity and consistency across these reports—each issued by NABL-accredited laboratories—provide strong evidentiary support for the appellant's claim that the goods in question conform to the prescribed standards for Basmati rice. It appears that the adjudicating authority either did not consider this corroborative evidence or, if considered, did not assign it due weight. Notably, the test report from UniQ Nutri Bio-Sciences is dated 22.05.2024—prior to both the appellant's letter of acceptance dated 24.05.2024 and the issuance of the Order-in-Original dated 04.06.2024. This chronology indicates that the appellant had objective, independent grounds to believe that the consignment met the requisite standards for Basmati rice.

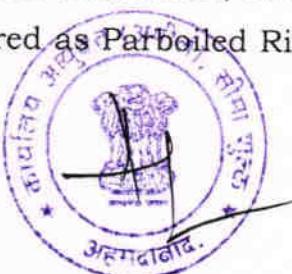
5.4 The appellant has contended that their letter dated 24.05.2024—wherein they withdrew the request for retesting and ostensibly “accepted” the CRCL report—as well as the subsequent filing of a new Shipping Bill under CTH 1006



30 10, were actions compelled by severe economic duress rather than a voluntary or informed decision. The appellant has cited several factors contributing to this situation: the perishable nature of the rice consignment, the accrual of significant detention and demurrage charges owing to the prolonged hold by Customs authorities, and a demand for a bank guarantee of ₹55 lakhs for provisional release of the goods. Notably, this demanded guarantee amount was nearly double the total confirmed liability of duty, fine, and penalty (approximately ₹30.33 lakhs) as determined in the impugned order. These circumstances, as presented, suggest that the appellant's actions were driven by commercial compulsion and a lack of viable alternatives, thereby casting doubt on the voluntariness of the so-called acceptance.

5.5 While an admission made by an assessee can serve as a relevant piece of evidence, its probative value is significantly diminished when it is shown to have been obtained under coercion, duress, or undue influence, rather than being a voluntary and truthful acknowledgment of facts. The circumstances outlined by the appellant—namely, the perishable nature of the consignment, the looming risk of substantial financial losses due to extended delays, and the imposition of a disproportionately high bank guarantee for provisional release—reasonably indicate a situation of commercial compulsion. It is a well-established principle of natural justice that determinations must be based on a fair and objective assessment of facts and legal provisions, and not on admissions obtained under economic or procedural pressure. The adjudicating authority was under an obligation to examine the classification dispute on its independent merits, especially considering that a retest had been specifically requested for a natural commodity like rice, which is inherently subject to batch-wise variations. The appellant has further submitted that their request for retesting, dated 17.05.2024, was not acted upon in a timely manner by the department, with no communication regarding its status for over seven days. This inaction likely intensified the pressure on the appellant to withdraw the request and accept the CRCL findings. In such a context, placing substantial reliance on the appellant's subsequent "acceptance," without adequately considering the technical merits of the case or the credible and consistent contrary findings from multiple independent laboratories, was neither appropriate nor in accordance with principles of fair adjudication.

5.6 The appellant has argued that CRCL, in stating within its test report that the sample "may be considered as Parboiled Rice (Non-Basmati)," exceeded the



scope of its authority. It is a settled legal position, as affirmed in *Collector of Customs v. East West Exporters*, 1991 (52) E.L.T. 66 (Tri.-Del.), and *M/s McLloyd's & Company v. Commissioner of Customs, Ahmedabad*, 2014 (310) E.L.T. 929 (Tri.-Ahmd.), that the role of a chemical laboratory or testing agency is limited to conducting tests and reporting objective, scientific findings based on the parameters prescribed. Interpretation of those findings for the purpose of classification under the Customs Tariff, relevant notifications, and legal provisions is a quasi-judicial function that rests solely with the proper officer of Customs. While the laboratory's technical findings are important and may aid the adjudicating process, its opinion on tariff classification cannot be considered binding. The responsibility to evaluate the test results in the context of the statutory provisions, including applicable DGFT norms, lies with the adjudicating authority. To the extent that the adjudicating authority may have placed undue reliance on the classification opinion expressed in the CRCL report—rather than undertaking an independent assessment of the factual parameters—the decision-making process suffers from legal infirmity.

5.7 It is my considered view that the appellant has made a strong case that their original declaration of the goods as "Indian Golden Sella Premium Basmati Rice" classifiable under CTH 10063020 was appropriate and factually supported. It is an undisputed fact that, at the material time of export, Basmati rice classified under CTH 1006 30 20 was not subject to any export duty. Accordingly, if the appellant's original classification under CTH 1006 30 20 is accepted as correct, there would be no misdeclaration of goods in any material particular that could result in the evasion of export duty. In such a scenario, the very foundation for invoking Section 113(i) of the Customs Act, 1962—relating to confiscation on the grounds of attempted evasion—ceases to exist. Consequently, where confiscation itself is unsustainable in law, the question of offering an option to redeem the goods upon payment of a redemption fine under Section 125 of the Customs Act becomes redundant and infructuous.

5.8 The imposition of a penalty under Section 114(ii) of the Customs Act, 1962, is contingent upon an act or omission by any person, in relation to dutiable goods (other than prohibited goods), that renders such goods liable to confiscation under Section 113, or upon abetment of such an act. In the present case, the goods—when correctly classified as Basmati rice under CTH 1006 30 20—were not subject to export duty. As it has already been established that the goods are not liable to confiscation, the essential precondition for invoking



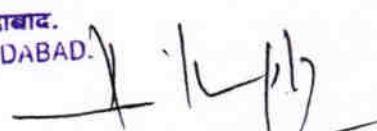
Section 114(ii) is not satisfied. Moreover, the appellant's consistent position, reflected both in the original shipping documents and substantiated through multiple independent NABL-accredited laboratory reports (including one issued prior to the alleged coerced acceptance), indicates a bona fide belief in the correct classification of the goods. This evidentiary trail negates any presumption of deliberate misdeclaration or mala fide intent, thereby rendering the imposition of penalty under Section 114(ii) legally untenable.

5.9 In light of the aforesaid findings and observations, the impugned Order-In-Original No. MCH/ADC/MK/51/2023-24 dated 04.06.2024, passed by the Additional Commissioner of Customs, Customs House, Mundra, Kutch, is set aside.

6. The appeal filed by the Appellant, M/s Diat Agro Holding Pvt. Ltd., is allowed with consequential relief, if any, in accordance with law.

सत्यापित/ATTESTED

अधीक्षक/SUPERINTENDENT
सीमा शुल्क (अपील), अहमदाबाद.
CUSTOMS (APPEALS), AHMEDABAD.


(AMIT GUPTA)

Commissioner (Appeals),
Customs, Ahmedabad



F. No. S/49-94/CUS/MUN/2024-25

Date: 30.06.2025

By Registered post A.D/E-Mail

1811

To,

M/s. Diat Agro Holding Pvt. Ltd. (IEC: 0511093748),
Balaji Place, 2633-36, Naya Bazar, Delhi,
New Delhi - 110006

Copy to:

1. The Chief Commissioner of Customs, Ahmedabad zone, Custom House, Ahmedabad.
2. The Principal Commissioner of Customs, Custom House, Mundra.
3. The Additional Commissioner of Customs, Custom House, Mundra.
4. Guard File.