	सीमा शुल्क के प्रधान आयुक्त का कार्यालय **सीमा शुल्क सदन, मुंद्रा, कच्छ, गुजरात** **OFFICE OF THE PRINCIPAL COMMISSIONER OF CUSTOMS** **CUSTOMS HOUSE, MUNDRA, KUTCH, GUJARAT** **Email-adj-mundra@gov.in**	

A	**FILE NO.** फ़ाइल संख्या	GEN/ADJ/ADC/727/2026-Adjn-O/o Pr. Commr-Cus-Mundra
B	**OIO NO.** आदेश संख्या	MCH/ZDC/ADC/177/2026-27
C	**PASSED BY** जारीकर्ता	**Dipak Zala,** Additional Commissioner of Customs/अपर आयुक्त सीमा शुल्क, Custom House, Mundra/कस्टम हाउस, मुंद्रा।
D	**DATE OF ORDER** आदेश की तारीख	03.06.2026
E	**DATE OF ISSUE** जारी करने की तिथि	03.06.2026
F	**SCN No. & Date** कारण बताओ नोटिस क्रमांक	37/2026-27/ADC/ZDC/MCH dated 05.05.2026
G	**NOTICEE/ PARTY/ IMPORTER** नोटिसकर्ता/पार्टी/आयातक	(i) M/s. S K Knitfab, (IEC: CIVPD2608E) (ii) Shri Suwansh Dhall, Proprietor of M/s S K Knitfab

1. यहआदेश संबन्धित को नि:शुल्क प्रदान किया जाता है।
   This Order - in - Original is granted to the concerned free of charge.

2. यदि कोई व्यक्ति इस आदेश से असंतुष्ट है तो वह सीमाशुल्क अपील नियमावली 1982 के नियम 3 के साथ पठित सीमाशुल्क अधिनियम 1962 की धारा 128 A के अंतर्गत प्रपत्र सीए- 1 में चार प्रतियों में नीचे बताए गए पते परअपील कर सकताहै-

Any person aggrieved by this Order - in - Original may file an appeal under Section 128A of Customs Act, 1962 read with Rule 3 of the Customs (Appeals) Rules, 1982 in quadruplicate in Form C. A. -1 to:

"सीमाशुल्कआयुक्त (अपील,

चौथी मंजिल, हुडको बिल्डिंग, ईश्वरभुवन रोड,

नवरंगपुरा,अहमदाबाद 380 009"

"THE COMMISSIONER OF CUSTOMS (APPEALS), MUNDRA

HAVING HIS OFFICE AT 4TH FLOOR, HUDCO BUILDING, ISHWAR BHUVAN ROAD,

NAVRANGPURA, AHMEDABAD-380 009."

3. उक्तअपील यहआदेश भेजने की दिनांक से 60 दिन के भीतर दाखिल की जानी चाहिए।

Appeal shall be filed within sixty days from the date of communication of this order.

4. उक्त अपील के पर न्यायालय शुल्क अधिनियम के तहत 5/- रुपए का टिकट लगा होना चाहिए और इसके साथ निम्नलिखित अवश्य संलग्न किया जाए-

Appeal should be accompanied by a fee of Rs. 5/- under Court Fee Act it must be accompanied by –

(i) उक्त अपील की एक प्रति और A copy of the appeal, and

(ii) इस आदेश की यह प्रति अथवा कोई अन्य प्रति जिस पर अनुसूची-1 के अनुसार न्यायालय शुल्क अधिनियम-1870 के मद सं°-6 में निर्धारित 5/- रुपये का न्यायालय शुल्क टिकट अवश्य लगा होना चाहिए।

This copy of the order or any other copy of this order, which must bear a Court Fee Stamp of Rs. 5/- (Rupees Five only) as prescribed under Schedule – I, Item 6 of the Court Fees Act, 1870.

5. अपील ज्ञापन के साथ ड्यूटि/ ब्याज/ दण्ड/ जुर्माना आदि के भुगतान का प्रमाण संलग्न किया जाना चाहिये।

Proof of payment of duty / interest / fine / penalty etc. should be attached with the appeal memo.

6. अपील प्रस्तुत करते समय, सीमाशुल्क (अपील) नियम, 1982 और सीमाशुल्क अधिनियम, 1962 के अन्य सभी प्रावधानों के तहत सभी मामलों का पालन किया जाना चाहिए।

While submitting the appeal, the Customs (Appeals) Rules, 1982 and other provisions of the Customs Act, 1962 should be adhered to in all respects.

7. इस आदेश के विरुद्ध अपील हेतु जहां शुल्क या शुल्क और जुर्माना विवाद में हो, अथवा दण्ड में, जहां केवल जुर्माना विवाद में हो, Commissioner (A) के समक्ष मांग शुल्क का 7.5% भुगतान करना होगा।

An appeal against this order shall lie before the Commissioner (A) on payment of 7.5% of the duty demanded where duty or duty and penalty are in dispute, or penalty, where penalty alone is in dispute.

BRIEF FACTS OF THE CASE

Whereas it appears that:

1.1. M/s. S K Knitfab, (IEC: CIVPD2608E), situated at: 1, Jain Hosiery Compex, Ram Nagar, Noorwala Branch Post Office, Noorwala Village, Ludhiana, Ludhiana, Punjab, 141007, [hereinafter referred to as M/s S K Knitfab or importer for the sake of brevity] is engaged in the import of fabrics through Mundra SEZ.

1.2. Intelligence was received that M/s. S K Knitfab is evading MIP (Minium Import Price) applicable on import of Cut Pile Fabric under CTI- 60019200 by resorting to under- declaration of quantity of fabric on which the MIP is applicable. According to the intelligence, the under- declaration of MIP applicable fabric quantity was combined with excess declaration of other fabric imported in the same consignments but on which MIP was not applicable.

1.3. Based on the above intelligence, the following import consignments of M/s. S K Knitfab (IEC: CIVPD2608E) were intercepted:

Table "1"

SEZ Bill of Entry No. & date	BE Type	Container No.	Description of goods as per B/E	Declared CTH	Declared Quantity (KGs)
5742504 dated 17.11.2025		MEDU4 774986	POLYSTER KNITTED CUT PILE	60019200	3947.8

	Z		FABRICS MIX COLOUR MIX LOT MIX SIZE		
			POLYSTER KNITTED LONG PILE FABRICS MIX COLOUR MIX LOT MIX SIZE	60011090	13033.2

1.4. The above consignments were imported from China with declared description tabulated above at Table-1. Further, as per the declaration, the duty rate applicable on import of these goods from SEZ to DTA was as per normal tariff rate.

2. Examination of Goods

2.1. The consignments imported by M/s. S K Knitfab through Mundra port under the above-mentioned Bills of entries were examined under panchnama dated 22.11.2025 at warehouse of M/s Shoolin Trade Link LLP, Plot No. 11, Block –B, Sector-12S, Light engineering Zone, In east of JNK, APSEZ, Mundra-370421. During the examination, it was observed that goods stuffed in the said containers were fabric rolls. All the imported goods under the said container were de-stuffed, and a systematic examination of the goods was conducted.

2.2 The goods Imported by M/s S K Knitfab and examined under Panchnama dated 22.11.2025 were as under**:**

Table- "2"

S. No.	BE No.	BE DATE	CONTAINER NUMBER	Net weight of the goods
1	5742504	17-11-2025	MEDU4774986	17400 Kgs.

2.3 Examination of goods imported under the above mentioned BEs/Containers revealed the goods to be stuffed in the respective containers as detailed below:

Table- "2A"

BE No. with Container No.	Net weight of the container (in KGs)	Total No. of Rolls found	Type of Goods	No. of Rolls found	Weight of the goods (in KGs) ascertained.

5742504 dated 17.11.2025 MEDU4774986	17400	700	Polyester Knitted Cut Pile Fabrics**	588	13520
			Polyester Knitted Long Pile Fabrics**	112	3880

** = Description of goods declared in BE

2.4. Further, representative samples of imported fabrics were drawn under the Panchnama for laboratory testing and analysis to ascertain their exact identity. One set of samples was drawn from each type of Fabric, based on the visual characteristics of the imported Fabric. The samples were duly sealed and forwarded to the CRCL Vadodara vide Test Memo's as below:-

Table- "4"

Sr. No.	Bill of Entry No.	Container No.	Test Memo No.
1	5742504 dated 17.11.2025	MEDU4774986	25 & 26

3. Sample Test Reports

3.1 CRCL Vadodara submitted Test Reports vide their various letters and emails wherein the goods imported under the respective Bill of Entries are Tested/reported as detailed below:

Table- "5"

Sr No.	SEZ Bill of Entry No. & date	Test Memo No./Test Report	Description of Goods as per Test Reports	CTI determined as per Test reports	Quantity ascertained during the examination under panchnama
1	5742504 dated 17.11.2025	25	Polyester Knitted Cut Pile Fabric	60019200	13520 Kgs.
		26	Polyester Knitted Cut Pile Fabric	60019200	3880 Kgs.

3.2 Further, goods imported with declared description Polyester Long Pile Fabrics and classified under CTI: 60011090 in Bill of Entries at Sr. Nos. 1/ Test Memo No. 25 & 26 in the table above were tested and reported by CRCL Vadodara to be "Polyester Knitted Cut Pile Fabric". These fabrics fall under CTI: 60019200 attracting MIP under DGFT notification no. 49/2024-25 dated 04 January, 2025**.** An image of a sample test report is extracted herein below:-

Mukesh Kumar,
Intelligence Officer
DRI, Zonal Unit, Ahmedabad

Lab No : RCL/DRI, AH/IMP/4615/11.12.2025
T.M No : 25/SKK/5742504/CP/Sample-1
B.E. No : 5742504/17.11.2025

Test Report

The sample is in the form of cut piece of self-designed, dyed, knitted fabric having cut piles on one side. The fabric is made of Polyester filament yarns and spandex.

Composition (as such):

Polyester = 91.4 %

Spandex= balance

GSM (as such)- 215.2

Q. No. 4, 10, 16 & 17 could not ascertained here.

Sealed remnant returned herewith.

5/1/26

Assistant Examiner

05.01.26

मुहम्मद हबीबल्लाह / Md. Habibullah

Despatch No. 1628
06.01.26
C.Ex. & Cus. Lab., Vadodara

DRI, Zonal Unit, Ahmedabad

Lab No : RCL/DRI, AH/IMP/4584/11.12.2025
T.M No : 26/SKK/5742504/LP/Sample-1
B.E. No : 5742504/17.11.2025

Test Report

The sample is in the form of cut piece of dyed, knitted fabric having cut piles on one side. It is made of Polyester filament yarns.

GSM (as such)- 278.9

Q. No. 4, 10, 16 & 17 could not be ascertained here.

Sealed remnant returned herewith.

Received 6/1/26
राजस्व / Revenue
Asst.

FOR
Examiner

GOVT. OF INDIA No. 18 VADODARA CENTRAL EXCISE & CUSTOMS LAB

06.01.26

मुहम्मद हबीबुल्लाह / Md. Habibullah
रसायन परीक्षक श्रेणी-II / Chemical Examiner, Gr-II
केन्द्रीय उत्पाद एवं सीमा शुल्क प्रयोगशाला
Central Exscise & Customs Laboratory
वडोदरा / Vadodara

Despatch No. 1642
Dt. 07/01/26
C.Ex. & Cus. Lab., Vadodara

3.3 Based on the foregoing facts, it is evident that the goods declared as “Polyester Knitted Long Pile Fabric” under CTI 60011090 vide respective Bill of Entry was mis-declared, with the intent to conceal the import of Polyester Knitted Cut Pile Fabric under the guise of Polyester Knitted Long Pile Fabric.

3.4 From the above, it is apparent that the goods declared as “Polyester Knitted Long Pile Fabric” have been mis-declared both in terms of their nature and quantity. The actual quantity of goods imported exceeds the quantity declared in the Bill of Entry. Furthermore, as per the test reports, it is evident that “Polyester Knitted Cut Pile Fabric” was imported under the guise of “Polyester Knitted Long Pile Fabric”. This mis-declaration with respect to both the nature and quantity of the imported goods

constitutes a contravention of Customs Act, 1962 and consequently the goods in question are rendered liable for confiscation under sub-section (l) & (m) of Section 111 of the Customs Act, 1962.

3.5 The past import records and the profile of the importer when seen along with the profile of the SEZ unit where the goods were imported, it is evident that post assessment and out of charge of Z-type Bill of Entry, the importer intended to clear in DTA by filing T-type Bill of Entry.

3.6 In view of the above, by mis-declaring the nature of the imported goods, the importer has attempted to evade customs duty amounting to ₹ 8,53,256/- (Rupees Eight Lakh Fifty Three Thousand Two Hundred and Fifty Six Only), comprising Basic Customs Duty of ₹ 6,36,359/- (Rupees Six Lakh Thirty Six Thousand Three Hundred and Fifty Nine Only), Social Welfare Surcharge (SWS) of ₹ 63,635/- (Rupees Sixty Three Thousand Six Hundred and Thirty Five Only) and Integrated Goods and Services Tax (IGST) of ₹ 1,53,256/- (Rupees One Lakh Fifty Three Thousand Two Hundred and Fifty Six only). The detailed calculation indicating the above quantum of evasion was brought out in the subsequent part of the SCN. **(Valuation, Classification and assessment sheet in detail is attached to the SCN as Annexure-A)**.

4. Seizure of Goods

4.1. The above ascertained mis-declaration and misclassification appeared to be a deliberate attempt to evade applicable duties. Accordingly, the imported goods covered under Bill of Entries as detailed in Table below were placed under Seizure vide Seizure Memo F. No. DRI/AZU/CI-02/ENQ-12(INT-56/25)/2026 dated 01.04.2026, as they were found to be liable for confiscation under sub-section (l) & (m) of Section 111 of the Customs Act, 1962. The details of the seized goods are as follows:

Table- "6"

Sr No.	SEZ Bill of Entry No. & date	Test Memo No./Test Report	Description of Goods as per Test Reports	CTI determined as per Test reports	Quantity ascertained during the examination under panchnama
1	5742504 dated	25	Polyester Knitted Cut Pile Fabric	60019200	13520 Kgs.
		26	Polyester Knitted Cut Pile	60019200	3880 Kgs.

	17.11.202		Fabric		

5*Test Reports are attached for ready reference as RUD-2.

Table- "6A"

Sr No.	SEZ BE No. and Date	Total No. of Rolls found during panchnama	Gross weight found during panchnama (In KGs)
1	5742504 dated 17.11.2025	700	17400

4.2. Vide the above Seizure Memo dated 01.04.2026, M/s S K Knitfab was also given an option to approach the Jurisdictional Customs Authority for provisional release of the seized goods under the provisions of Section 110A of the Customs Act, 1962.

5. Statements Recorded

5.1. Consequent to the Summons (CBIC-DIN-202603DDZ1000082398F) dated 17.03.2026, a statement of Shri Suwansh Dhall, Proprietor of M/s S K Knitfab, (GSTIN:- 03CIVPD2608E1ZK) was recorded on 19.03.2026 under Section 108 of the Customs Act, 1962, wherein, he inter-alia stated that he looks after sales, purchase and overall operation of the firm; that he is business man and does not know much about the classification of fabrics as per Customs Act but has knowledge of fabrics as per market requirement; that imported goods were classified as per the Customs Tariff under the guidance of CHA and their staff; that he accepts the proposed re-classification and re-valuation of imported fabric; that he agrees for the re-valuation of imported fabric; that M/s S K Knitfab is a trading firm engaged in import and trading of Pile fabric along with other fabrics; that he agrees with the Test Reports of CRCL Vadodara and acknowledges the receipt of copies of Test Report as below:-

Table- "7"

SEZ Bill of Entry No. & date	Container No.	Description of goods as per B/E	CTI	Quantity	Quantity of goods	Test memo Number	Goods as per Test report
5742504 dated 17.11.2025	MEDU4774986	Polyester Knitted Cut Pile Fabrics mix Color Mix Lot Mix	60019200	3947 Kgs.	13520 Kgs.	25	Knitted Cut Pile Fabric

		Size					
		Polyester Knitted Long Pile Fabrics Mix Color Mix Lot Mix Size	60011090	13033 Kgs.	3880 Kgs.	26	Knitted Cut Pile Fabric

6. Re-classification of Goods:

6.1. Based on the CRCL's Test Report, and corresponding entries in the Customs Tariff Act, 1975, it is evident that the declared description and CTI of imported goods in the respective BEs are incorrect. Hence, the imported goods merit classification as mentioned below:

Table – "8"

Sr. No.	SEZ Bill of Entry No. & date	Container No.	Description of goods as per B/E	Declared CTI	Goods as per Test report	Ascertained CTI
1	5742504 dated 17.11.2025	MEDU4774986	Polyester Knitted Cut Pile Fabrics mix Color Mix Lot Mix Size	60019200	Knitted Cut Pile Fabric	60019200
			Polyester Knitted Long Pile Fabrics Mix Color Mix Lot Mix Size	60011090	Knitted Cut Pile Fabric	60019200

6.2 Classification of Polyester Knitted Cut Pile Fabrics

6.2.1 CRCL, Vadodara, vide their test report has stated that the imported fabrics shown as Polyester Knitted Long Pile Fabrics in the above table were "Polyester Knitted Cut Pile Fabrics". The correct classification for " Polyester Knitted Cut Pile Fabrics " is Customs Tariff Item 60019200, which specifically covers Pile fabrics', including "Other" fabrics and terry fabrics, knitted or crocheted—of man-made fibers". Moreover, the importer has already classified the identical item imported under the Bill of Entry under investigation under CTI:- 60019200.

7. Undervaluation and revised valuation as per Customs Valuation Rules:

7.1. Investigation has brought out that quantities of goods declared in the above Bills of Entries were lesser than actual quantities ascertained during examination under respective panchnama. The comparison of the quantities of goods declared and the actual quantity of goods found is attached as Annexure -A.

7.2 Further, the importer had mis-declared the description of goods or import of actual quantity of goods as detailed below:-

Table-"9"

Sr. No.	**SEZ Bill of Entry No. & date**	**Container No.**	**Description of goods as per B/E**	**Declared CTI**	**Quantity as per BE (KGs.)**	**Actual Quantity of goods (KGs.)**	**Goods as per Test report**	**Ascertained CTI**
1	5742504 dated 17.11.2025	MEDU4774986	Polyester Knitted Cut Pile Fabrics mix Color Mix Lot Mix Size	60019200	3947	12966.3	Knitted Cut Pile Fabric	60019200
			Polyester Knitted Long Pile Fabrics Mix Color Mix Lot Mix Size	60011090	13033	3745.5	Knitted Cut Pile Fabric	60019200

7.3 Valuation of goods for assessment to Customs duties is governed by the provisions of Section 14 of the Customs Act, 1962, which provides that the value of imported goods shall be the transaction value of such goods, when sold for export to India for delivery at the time and place of importation, where the buyer and seller of the goods are not related and price is the sole consideration for the sale, subject to such other conditions as may be specified in the rules made in this behalf. Further, the Customs Valuation Rules (Determination of value of imported goods) 2007 (hereinafter referred to as the 'CVR, 2007'), having been framed under the provisions of Section 14, provide for the determination of value in a variety of situations. More specifically, Rule 3 of the CVR, 2007 provides that, subject to Rule 12, the value of the goods shall be the Transaction Value adjusted in accordance with Rule 10.

7.4. From the foregoing, it is apparent that, in the present case, the fabrics actually found upon examination have been mis-declared in the respective Bill of Entries. The

importer has declared description of goods in the Bill of Entry, in line with the descriptions mentioned in the supplier's invoice. Furthermore, the quantity Fabric discovered during the examination does not correspond with the quantity declared in the Bill of Entry. Accordingly, the value declared to the Customs in the respective Bill of Entry appeared not to represent the true Transaction Value of the goods imported. Moreover, the importer has not only grossly misclassified the types of fabric, but also mis-declared the quantities of fabrics, creating reasonable doubt on the truth or accuracy of the declared value of imported fabrics. It is further observed that the CIF value of the actual imported goods viz. Cut Pile Fabrics has been kept significantly low as compared to the similar goods imported and declared in the same Bill of Entry by declaring the imported goods as Long Pile Fabrics as detailed in the table ibid. Hence, the said transactional value declared in the Bill of Entry appears to have failed the test of acceptability under Rule 3(2) of the Customs Valuation (Determination of Value of Imported Goods) Rules, 2007, which mandates that the declared price must reflect the actual price paid or payable. Accordingly, the declared value is liable to be rejected under Rule 12 read with Rule 3(2) due to the absence of genuine, valid commercial documentation.

7.5. Rule 3 (4) of the CVR 2007 prescribes that, "If the value cannot be determined under the provisions of sub-rule (1), the value shall be determined by proceeding sequentially through rules 4 to 9 of CVR 2007.

7.6. As per Rule 4 of the CVR, 2007, the value of imported goods shall be the Transaction Value of identical goods sold for export to India and imported at or about the same time as the goods being valued, subject to certain conditions and parameters. The importer had imported identical goods and declared import price @3.5 $ per Kgs. in the same Bill of Entry as detailed in the Table ibid. Therefore, in terms of Rule 4 of the CVR, 2007 import price may be considered @3.5 $ per Kgs.

7.7. Therefore, in terms of the provisions of Rule 4 of the CVR, 2007, value of goods imported under above said Bill of Entries was re-determined by considering the import price of identical goods i.e. @3.5 $ per Kgs.

7.8. In his statement dated 19.03.2026, Proprietor of M/s S K Knitfab stated that he agreed to the proposed re-valuation as per the import of identical goods. He also agreed to consequential payment of the proposed differential duty & taxes.

8. Revised Quantification of Assessable Value and duties/taxes thereon

8.1. Revised Quantification under Rule 4

Considering the above, liabilities in respect of the imported goods have been quantified, as below:

Table – "10"

Sr. No.	SEZ Bill of Entry No., date & Container No.	Description of goods as per B/E	Goods as per Test report	CTI	Total Duty Assessed in BE	Total Applicable Duty	Differential Duty
1	5742504 dated 17.11.25 MEDU4774986	Polyester Knitted Cut Pile Fabrics mix Color Mix Lot Mix Size	Knitted Cut Pile Fabric	60019200	3,47,499	11,41,336	7,93,837
		Polyester Knitted Long Pile Fabrics Mix Color Mix Lot Mix Size	Knitted Cut Pile Fabric	60019200	2,70,272	3,29,691	59,419
		Total:-			**6,17,771**	**14,71,027**	**8,53,256**

The detailed duty calculation is enclosed as Annexure-A to the SCN.

9. Legal Provisions

9.1. **Section 17 of the Customs Act, 1962**

17. Assessment of duty. — (1) An importer entering any imported goods under section 46, or an exporter entering any export goods under section 50, shall, save as otherwise provided in section 85, self-assess the duty, if any, leviable on such goods.

…….

(4) Where it is found on verification, examination or testing of the goods or otherwise that the self-assessment is not done correctly, the proper officer may, without prejudice to any other action which may be taken under this Act, re-assess the duty leviable on such goods.

9.2. **Section 46 of the Customs Act, 1962**:

46. Entry of goods on importation. — (1) The importer of any goods, other than goods intended for transit or transshipment, shall make entry thereof by presenting 4[electronically] 5[on the customs automated system] to the proper

officer a bill of entry for home consumption or warehousing 6[in such form and manner as may be prescribed]:

9.3. **Section 110 of the Customs Act, 1962**

110. Seizure of goods, documents and things.—(1) If the proper officer has reason to believe that any goods are liable to confiscation under this Act, he may seize such goods: Provided that where it is not practicable to seize any such goods, the proper officer may serve on the owner of the goods an order that he shall not remove, part with, or otherwise deal with the goods except with the previous permission of such officer.

9.4. **Section 111 of the Customs Act, 1962**

111. Confiscation of improperly imported goods, etc.— The following goods brought from a place outside India shall be liable to confiscation: —
…….
(m) any goods which do not correspond in respect of value or in any other particular] with the entry made under this Act or in the case of baggage with the declaration made under section 77 3[in respect thereof, or in the case of goods under transshipment, with the declaration for transshipment referred to in the proviso to sub-section (1) of section 54;

9.5. **Section 112 of the Customs Act, 1962**

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
(b) who acquires possession of or is in any way concerned in carrying, removing, depositing, harbouring, keeping, concealing, selling or purchasing, or in any other manner dealing with any goods which he knows or has reason to believe are liable to confiscation under section 111,

shall be liable, —

(i) in the case of goods in respect of which any prohibition is in force under this Act or any other law for the time being in force, to a penalty 5[not exceeding the value of the goods or five thousand rupees], whichever is the greater;

(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: Provided that where such duty as determined under sub-section (8) of section 28 and the interest payable thereon under section 28AA is paid within thirty days from the date of communication of the order of the proper officer determining such duty, the

amount of penalty liable to be paid by such person under this section shall be twenty-five per cent. of the penalty so determined;]

(iii) in the case of goods in respect of which the value stated in the entry made under this Act or in the case of baggage, in the declaration made under section 77 (in either case hereafter in this section referred to as the declared value) is higher than the value thereof, to a penalty 3[not exceeding the difference between the declared value and the value thereof or five thousand rupees], whichever is the greater;

(iv) in the case of goods falling both under clauses (i) and (iii), to a penalty 4[not exceeding the value of the goods or the difference between the declared value and the value thereof or five thousand rupees], whichever is the highest;

(v) in the case of goods falling both under clauses (ii) and (iii), to a penalty 5[not exceeding the duty sought to be evaded on such goods or the difference between the declared value and the value thereof or five thousand rupees], whichever is the highest.

9.6. **Section 114AA of the Customs Act, 1962**

114AA. Penalty for use of false and incorrect material. —If a person knowingly or intentionally makes, signs or uses, or causes to be made, signed or used, any declaration, statement or document which is false or incorrect in any material, in the transaction of any business for the purposes of this Act, shall be liable to a penalty not exceeding five times the value of goods.]

9.7. **Section 124 of the Customs Act, 1962**

124. Issue of show cause notice before confiscation of goods, etc.—No order confiscating any goods or imposing any penalty on any person shall be made under this Chapter unless the owner of the goods or such person—
(a) is given a notice in writing with the prior approval of the officer of Customs not below the rank of 2[an Assistant Commissioner of Customs], informing] him of the grounds on which it is proposed to confiscate the goods or to impose a penalty;
(b) is given an opportunity of making a representation in writing within such reasonable time as may be specified in the notice against the grounds of confiscation or imposition of penalty mentioned therein; and
(c) is given a reasonable opportunity of being heard in the matter:

Provided that the notice referred to in clause (a) and the representation referred to in clause (b) may, at the request of the person concerned, be oral. 3 [Provided further that notwithstanding the issue of notice under this section, the proper officer may issue a supplementary notice under such circumstances and in such manner as may be prescribed.]

9.8. **Section 125 of the Customs Act, 1962**

125. Option to pay fine in lieu of confiscation.—(1) Whenever confiscation of any goods is authorised by this Act, the officer adjudging it may, in the case of any goods, the importation or exportation whereof is prohibited under this Act or under any other law for the time being in force, and shall, in the case of any other goods, give to the owner of the goods 4[or, where such owner is not known, the person from whose possession or custody such goods have been seized,] an option to pay in lieu of confiscation such fine as the said officer thinks fit:

Provided that where the proceedings are deemed to be concluded under the proviso to sub-section (2) of section 28 or under clause (i) of sub-section (6) of that section in respect of the goods which are not prohibited or restricted, the provisions of this section shall not apply:

Provided further that], without prejudice to the provisions of the proviso to sub-section (2) of section 115, such fine shall not exceed the market price of the goods confiscated, less in the case of imported goods the duty chargeable thereon.

(2) Where any fine in lieu of confiscation of goods is imposed under sub-section (1), the owner of such goods or the person referred to in sub-section (1), shall, in addition, be liable to any duty and charges payable in respect of such goods.]

(3) Where the fine imposed under sub-section (1) is not paid within a period of one hundred and twenty days from the date of option given thereunder, such option shall become void, unless an appeal against such order is pending.

Explanation.—For removal of doubts, it is hereby declared that in cases where an order under sub-section (1) has been passed before the date on which the Finance Bill, 2018 receives the assent of the President and no appeal is pending against such order as on that date, the option under said sub-section may be exercised within a period of one hundred and twenty days from the date on which such assent is received.]

9.9 **Section 30 of SEZ Act, 2005**

Subject to the conditions specified in the rules made by the Central Government in this behalf:-

(a) any goods removed from a Special Economic Zone to the Domestic Tariff Area shall be chargeable to duties of customs including antidumping, countervailing and safeguard duties under the Customs Tariff Act, 1975, where applicable, as leviable on such goods when imported; and

(b) the rate of duty and tariff valuation, if any, applicable to goods removed from a Special Economic Zone shall be at the rate and tariff valuation in force as on the date of such removal, and where such date is not ascertainable, on the date of payment of duty.

9.10 **Rule 28 of SEZ Rules, 2006**

28. (1) A Unit or Developer may import goods directly into the Special Economic Zone or through any other:

(a) ports or airports;
(b) land customs stations;
(c) inland container depots;
(d) foreign post offices;
(e) authorized couriers; or
(f) through personal baggage of passengers authorized by the Special Economic Zone Unit; or
(g) Via Satellite data communication such as internet or any other telecommunication link.

(2) Goods imported through ports or airports, land customs stations, or inland container depots shall be allowed to be transferred in full cargo load or less than container load cargo by direct transfer from such port or airport or Inland container Depot or land customs station to the Special Economic Zone.

(3) The import of Information Technology enabled services, including software, shall also be allowed through data communication link, internet, e-mail or any other electronic mode.

(4) The Unit or Developer may also procure goods required for the authorized operations, without payment of duty, from International Exhibitions held in India or from bonded warehouses set up under the Foreign Trade Policy and under the Customs Act in the Domestic Tariff Area;

(5) The goods imported by the Unit or Developer shall be allowed to be transferred from the port or airport to the Special Economic Zone without examination by the Customs Authorities at the port or airport, as the case may be:

Provided that the goods may be examined with the prior permission of the Assistant or Deputy Commissioner of Customs in writing in case there is specific adverse information or intelligence:

(6) The goods imported by a Developer or Unit shall be transshipped by the carrier or its agent directly to the Special Economic Zone.

(7) Where import cargo destination is other than the Special Economic Zone, delivery shall be allowed at the destination port or airport on the strength of Bill of Entry assessed by Special Economic Zone Customs without any Transshipment Bond:

Provided that in case of high value goods imported through the airport, the goods may be transferred to the Custodian who shall transfer the same to a designated Customs Area located inside the Processing Area designated by the Specified Officer for further delivery to the Unit or Developer:

Provided further that the high value cargo imported through the airport may also be transferred under the Customs escort at the option of the Unit or the Developer

9.11 **Rule 29 of SEZ Rules, 2006**

29. (1) Direct delivery shall be permitted at the place of import for clearance of goods imported by Units and Developer from ports or airports or land customs stations or inland container depots as is being done in the case of import of perishable or lifesaving drugs.

(2) The Unit or Developer, hereinafter referred to as the Special Economic Zone Importer, shall follow the following procedure for imports, namely:-

(a) the Special Economic Zone Importer shall file Bill of Entry for home consumption in quintuplicate giving therein, description with specially stamped endorsement as "Special Economic Zone Cargo" along with Bill of Lading or Airway Bill and invoice and packing list with the Authorized Officer who shall register and assign a running annual serial number and assess the Bill of Entry, on the basis of transaction value, which shall not require any counter signature of the Specified Officer:

9.12 **S.O. 2666(E) dated 05.08.2016.—**

In exercise of the powers conferred by sub-section (2) of section 21 and second proviso to section 22 of the Special Economic Zones Act, 2005 (28 of 2005) (hereinafter referred as the Act), the Central Government hereby authorises the Additional Director General, Directorate of Revenue Intelligence for offences under the Customs Act, 1962 (52 of 1962) and the Additional Proprietor General, Proprietor ate General of Central Excise Intelligence for offences under the Central Excise Act, 1944 (1 of 1944) and the Finance Act, 1994 (32 of 1994) to be the enforcement officer(s) in respect of any notified offence or offences committed or likely to be committed in a Special Economic Zone. The enforcement officer(s), for the reasons to be recorded in writing, may carry out the investigation, inspection, search or seizure in the Special Economic Zone or Unit and shall intimate the details of any action initiated under sub-section (3) of section 21 of the Act to the Joint Secretary in charge of Special Economic Zones Division in the Department of Commerce immediately and in any case not later than seven days of initiation of any action.

10. From the foregoing investigation, it emerges that

10.1. Consequent upon the amendment to Section 17 of the Customs Act, 1962 vide Finance Act, 2011, 'Self-Assessment' has been introduced in Customs. Section 17 of

the Customs Act, effective from 8.4.2011, provides for self-assessment of duty on imported goods by the importer himself by filing a Bill of Entry in electronic form. Section 46 of the Customs Act, 1962, makes it mandatory for the importer to make an entry for the imported goods by presenting a Bill of Entry electronically to the proper officer. As per Regulation 4 of the Bill of Entry (Electronic Declaration) Regulation, 2011 (issued under Section 157 read with Section 46 of the Customs Act, 1962) the Bill of Entry shall be deemed to have been filed and self-assessment of duty completed when, after entry of the electronic declaration (which is defined as particulars relating to the imported goods that are entered in the Indian Customs Electronic Data Interchange System) in the Indian Customs Electronic Data Interchange System either through ICEGATE or by way of data entry through the service center, a Bill of Entry number is generated by the Indian Customs Electronic Data Interchange System for the said declaration. Thus, under self-assessment, it is the importer who must ensure that he declares the correct classification, applicable rate of duty, value, benefit of exemption notifications claimed, if any, in respect of the imported goods while presenting the Bill of Entry. Thus, with the introduction of self-assessment by amendments to Section 17, since 8th April, 2011, it is the added and enhanced responsibility of the importer to declare the correct description, value, notification, etc. and to correctly classify, determine and pay the duty applicable in respect of the imported goods.

10.2. The Importer, by mis-declaring the goods and mis-classifying them as detailed in the Table ibid. knowingly and deliberately misrepresented the true nature and classification of the imported Fabrics. This mis-declaration of goods in the Bill of Entry is a contravention of Section 46 of the Customs Act, 1962. The willful misclassification of fabrics under respective CTI was not merely an error but a conscious act to avoid the higher rate of Basic Customs Duty applicable to the actual imported fabrics. This demonstrates an intent to evade legally applicable duties. The pattern of mis-declaration and misclassification across the said consignment, coupled with the substantial duty difference, indicates a clear mens rea and an active intention on the part of the Importer to defraud the revenue. The importer, as an experienced entity in the import trade, is expected to exercise due diligence in ascertaining the correct description and classification of their imports. The willful act of the importer has resulted in short/non-levy of applicable customs duties/other taxes.

10.3. By mis-declaring both the quantity and description of the goods with the intent to conceal the import of actual fabric and misclassifying them, importer intended to evade applicable customs duty. This act of the importer is contrary to the provisions of the Customs Act-1962 and has made the imported goods liable for confiscation under Section 111(l) and (m) of the Customs Act, 1962,

10.4 M/s S K Knitfab imported fabrics from China by intentionally mis-declaring the quantity and description of the goods. Such acts of omission and commission to have rendered the goods liable for confiscation under 111(l) and (m) of the Customs Act 1962. Hence, this has made importer liable for penalty under Section 112(a) & (b) of the Customs Act, 1962. These actions of the Importer amount to deliberate mis-statement and suppression of facts with intent to evade duty, making them liable for penalty under Section 112(a) & (b) of the Customs Act, 1962, for doing any act which renders the goods liable to confiscation.

10.5. In view of the foregoing facts and evidences on record, it is observed that M/s S K Knitfab is a Proprietary concern of Shri Suwansh Dhall who is the key person handling purchase (Import) of goods from China. As categorically stated, in his voluntary statements dated 19.03.2026, it is evident that Shri Suwansh Dhall, being the importer and Proprietor of the affairs of M/s S K Knitfab, has submitted incorrect and false declarations to Customs authorities at the time of import, having full knowledge that the imported goods were other than what was declared in the respective Bill of Entries. Shri Suwansh Dhall Proprietor of M/s S K Knitfab (IEC: CIVPD2608E) appears to have indulged in presenting documents falsifying the identity of the goods, before the Customs authorities for import of the goods. Thus, Shri Suwansh Dhall has knowingly and intentionally made a declaration under the Bill of Entry filed under Section 46 of the Customs Act 1962, which is false and incorrect. Hence, Shri Suwansh Dhall has rendered himself liable to penalty under the Section 114AA of the Customs Act 1962.

10.6 Further, the goods imported earlier by M/s S K Knitfab had been imported through SEZ and subsequently cleared in DTA which clearly indicate the modus of clearance of imported goods in DTA through SEZ route. The same had also been recorded in the statement dated 19.03.2026 of Shri Suwansh Dhall where answering to Q.15 he has stated that the goods imported as detailed in Annexure was imported for further supply for the home consumption on filing of T type Bill of Entry; that all

the goods were ought to be supplied in local market on payment of applicable duty and taxes. The statement of importer and modus of clearances of earlier imported consignments clearly indicate the intention of importer for subsequent clearance of goods in DTA through the SEZ route.

11. The imports in the present matter were made from the Mundra SEZ by filing Z Type Bill of Entries with the intent to further clear the same for home consumption. Hence, the case falls under the jurisdiction of Mundra Customs. The present IR is for confiscation & re-assessment of the filed SEZ Bills of Entry (Z-type). Since the goods are currently lying in the warehouse, the matter comes under the purview of the Additional Commissioner of Customs (Import), Custom House Mundra, as per the provisions of Section 122 of the Customs Act, 1962.

12. Accordingly, M/s. S K Knitfab (IEC: CIVPD2608E), having its address at 1, Jain Hosiery Compex, Ram Nagar, Noorwala Branch Post Office, Noorwala Village, Ludhiana, Ludhiana, Punjab, 141007, were called upon to show cause in writing to the Additional Commissioner of Customs, Customs House, Mundra having office situated at office of the Pr. Commissioner of Customs, 5B, Port User Building, Adani Ports & SEZ, Mundra, Kutch, Gujarat – 370421 within 30 (thirty) days from the date of receipt of the notice, as to why:-

(i) The goods imported (as detailed in Annexure-A attached to the SCN) which were found to have been mis-declared in terms of quantity & value and were seized vide Seizure Memo dated 01.04.2026, should not be reassessed under section 17 of the Customs Act, 1962 by re-classifying the same under the correct CTI (as detailed in Annexure-A) instead of the declared Customs Tariff Heading, and the applicable duties as detailed in Annexure-A should not be re-assessed accordingly.

(ii) The declared assessable value of ₹ 28,69,708/-(Rupees Twenty Eight Lakh Sixty Nine Thousand Seven Hundred and Eight only) should not be rejected and goods be re-assessed at ₹ 52,34,971/- (Rupees Fifty Two Lakh Thirty Four Thousand Nine Hundred and Seventy One only), in terms of the Rule 4 of the Customs Valuation Rules 2007 and as detailed under Para 8 of the Investigation Report. The same is also enclosed as Annexures- A to the Investigation Report.

(iii) The differential duty amounting to ₹ 8,53,256 (Rupees Eight Lakh Fifty Three Thousand Two Hundred and Fifty Six only), as detailed in Annexure-A and arrived at after re-determination of value as given in Annexure-A and reclassification of goods based on test reports, should not be re-assessed in respect of the Z types BE filed by them.

(iv) The seized goods, as detailed in Seizure Memo dated 01.04.2026 with re-determined value of ₹ 52,34,971/- (Rupees Fifty Two Lakh Thirty Four Thousand Nine Hundred and Seventy One only), should not be confiscated under Section 111(l) & (m) of the Customs Act, 1962.

(v) Penalty should not be imposed on them under Section 112 (a) and (b) of the Customs Act, 1962;

12.2 Accordingly, Shri Suwansh Dhall, Proprietor of M/s S K Knitfab, was also called upon to show cause in writing to the Additional Commissioner of Customs, Customs House, Mundra, having office situated at office of the Pr. Commissioner of Customs, 5B, Port User Building, Adani Ports & SEZ, Mundra, Kutch, Gujarat – 370421 within 30 (thirty) days from the date of receipt of the notice, as to why penalty under Section 114AA of the Customs Act, 1962 should not be imposed upon him for submission of incorrect/false declarations to the Customs at the time of import, knowing fully that the items under import were "Polyester Knitted Cut Pile Fabrics", by intentionally mis-declaring the description of the goods as "Polyester Knitted Long Pile Fabrics" and also submitted forged and fabricated import documents to the Customs authority to suppress their description and true value so as to avoid payment of appropriate/leviable Duty.

WRITTEN SUBMISSION AND PERSONAL HERING

13. Importer M/s. S K KnitFab (Noticee no. 1) and Shri Suwansh Dhall, Proprietor of M/s S K Knitfab (Noticee no.2), vide their common letter dated 26.05.2026 have requested to waive the personal hearing in the matter and decide the case on merits. They also undertake to abide by the decision passed by this office. They also requested to take lenient consideration in the matter.

DISSCUSSION AND FINDINGS

14. I have carefully gone through the Show Cause Notice, the Noticee's letter dated 26.05.2026 requesting waiver of personal hearing, facts of the case and documents available on record. I note that the Noticee M/s. S K Knitfab and Shri Suwansh Dhall, Proprietor, vide their common letter dated 26.05.2026, have requested for waiver of personal hearing in the matter and have undertaken to abide by the decision passed by this office. In view of the said waiver and the availability of all material evidence on record, I find that the principles of natural justice under Section 124 of the Customs Act, 1962 have been duly complied with. I accordingly proceed to decide the matter on the basis of the material evidence available on record.

14.1 I now proceed to decide the issues framed in the instant SCN before me. On a careful perusal of the Show Cause Notice and the case records, I find that the following main issues are involved in this case, which are required to be decided at the stage of adjudication:

(i) Whether the goods imported (as detailed in Annexure-A attached to the SCN) which were found to have been mis-declared in terms of quantity & value and were seized vide Seizure Memo dated 01.04.2026, are liable to be reassessed under section 17 of the Customs Act, 1962 by re-classifying the same under the correct CTI (as detailed in Annexure-A) instead of the declared Customs Tariff Heading, and the applicable duties as detailed in Annexure-A;

(ii) Whether the declared assessable value of ₹ 28,69,708/-(Rupees Twenty Eight Lakh Sixty Nine Thousand Seven Hundred and Eight only) is liable to be rejected and goods are liable to be re-assessed at ₹ 52,34,971/- (Rupees Fifty Two Lakh Thirty Four Thousand Nine Hundred and Seventy One only), in terms of the Rule 4 of the Customs Valuation Rules 2007 and as detailed under Para 8 of the SCN.

(iii) Whether the differential duty amounting to Rs. 8,53,256/- (Rupees Eight Lakh Fifty Three Thousand Two Hundred and Fifty Six only) as detailed in Annexure-A is liable to be demanded and recovered from the importer M/s. S K Knitfab.

(iv) Whether the seized goods having re-determined value of Rs. 52,34,971/- (Rupees Fifty Two Lakh Thirty Four Thousand Nine Hundred and Seventy One only) are liable for confiscation under Sections 111(l) and 111(m) of the Customs Act, 1962.

(v) Whether the importer M/s. S K Knitfab is liable for penalty under Section 112(a) and (b) of the Customs Act, 1962.

(vi) Whether Shri Suwansh Dhall, Proprietor of M/s. S K Knitfab, is liable for penalty under Section 114AA of the Customs Act, 1962.

14.2 I now take up the **first issue** regarding mis-declaration, mis-classification and re-assessment of the goods. I find that the importer M/s. S K Knitfab filed SEZ Bill of Entry No. 5742504 dated 17.11.2025 declaring the imported goods under two line items — (a) "Polyester Knitted Cut Pile Fabrics Mix Colour Mix Lot Mix Size" under CTI 60019200 with declared quantity of 3947.8 Kgs., and (b) "Polyester Knitted Long Pile Fabrics Mix Colour Mix Lot Mix Size" under CTI 60011090 with declared quantity of 13,033.2 Kgs. The said goods were examined under Panchanama dated 22.11.2025 at the warehouse of M/s. Shoolin Trade Link LLP, APSEZ, Mundra, in the presence of the importer's representative. During examination, the container MEDU4774986 was found to contain 700 rolls of fabric in two broad types. Representative samples were drawn and forwarded to CRCL, Vadodara for testing vide Test Memo Nos. 25 and 26.

14.3 I find that CRCL, Vadodara, upon testing, reported both samples (Test Memo Nos. 25 and 26) as "**Polyester Knitted Cut Pile Fabric**" classifiable under CTI **60019200**. The test report in respect of Test Memo No. 26 — which corresponds to the goods declared as "Polyester Knitted Long Pile Fabrics" under CTI 60011090 — conclusively establishes that the said goods are not Long Pile Fabrics but are in fact "Polyester Knitted Cut Pile Fabric" falling under CTI 60019200. The importer had correctly classified the Cut Pile Fabric under CTI 60019200 in respect of 588 rolls weighing 13,520 Kgs., but the remaining 112 rolls weighing 3,880 Kgs., which were declared as Long Pile Fabrics under CTI 60011090, have been confirmed by CRCL as Cut Pile Fabrics under CTI 60019200. The examination further revealed that the actual quantity of Cut Pile Fabric was 12,966.3 Kgs. (against declared 3947 Kgs.) and the actual quantity of goods declared as Long Pile Fabric was 3,745.5 Kgs. (against declared 13,033 Kgs.), as detailed in **Table-9** above.

14.4 I note that Shri Suwansh Dhall, Proprietor of M/s. S K Knitfab, in his voluntary statement recorded on 19.03.2026 under Section 108 of the Customs Act, 1962, admitted that he agrees with the Test Reports of CRCL, Vadodara; that he accepts the proposed re-classification and re-valuation of the imported fabric; and that he agrees to the consequential payment of differential duty and taxes. He also acknowledged that the government has imposed restrictions on the import of Synthetic Knitted fabric under CTI 60019200 and that import is free only if the import CIF value is 3.5 USD per Kg. and above, and that M/s. S K Knitfab has not fulfilled the Minimum Import Price criteria for the import of the said fabrics.

14.5 I find that the mis-declaration of "Polyester Knitted Cut Pile Fabric" as "Polyester Knitted Long Pile Fabric" under CTI 60011090 is not a mere error. CTI 60019200 specifically covers Pile fabrics of man-made fibres, and the import of goods falling under CTI 60019200 is restricted under DGFT Notification No. 49/2024-25 dated 04.01.2025, being freely permitted only if the CIF value is USD 3.5 per Kg. or above (Minimum Import Price). CTI 60011090, under which the goods were falsely declared, covers Long Pile knitted fabrics and does not carry any such Minimum Import Price restriction. By declaring Cut Pile Fabrics as Long Pile Fabrics, the importer sought to evade the Minimum Import Price condition applicable to import of CTI 60019200 goods, thereby circumventing the DGFT restriction. The deliberate inflation of the declared quantity of Long Pile Fabric (13,033 Kgs. declared against 3,745.5 Kgs. actually found) and corresponding deflation of the declared quantity of Cut Pile Fabric (3,947 Kgs. declared against 12,966.3 Kgs. actually found) further demonstrates a systematic and pre-meditated attempt to conceal the true nature and quantity of the imported Cut Pile Fabric. I accordingly hold that the declared description and classification of goods declared as "Polyester Knitted Long Pile Fabrics" under CTI 60011090 in Bill of Entry No. 5742504 dated 17.11.2025 is incorrect and liable to be rejected, and the said goods are correctly classifiable under CTI 60019200 as "Polyester Knitted Cut Pile Fabric." I further hold that the self-assessment done by the importer in the said Bill of Entry is incorrect and is liable to be rejected, and the Bill of Entry is required to be re-assessed under Section 17(4) of the Customs Act, 1962 based on the correct re-determined classification, quantity and valuation.

15. I now take up the **second issue** regarding rejection of declared value and re-determination of assessable value. I find that the declared CIF value in the Bill of Entry does not represent the true transaction value of the goods, as the goods have been found to be mis-declared both in description and in quantity. The importer had declared the CIF value of the Long Pile Fabric at a rate lower than the Minimum Import Price applicable to Cut Pile Fabric under CTI 60019200. The declared value is therefore liable to be rejected under Rule 12 of the CVR, 2007.

15.1 I find that as per Rule 4 of the CVR, 2007, the value of imported goods shall be the transaction value of identical goods sold for export to India and imported at or about the same time as the goods being valued. In the present case, the importer had himself imported identical goods — Polyester Knitted Cut Pile Fabric under CTI 60019200 — in the very same Bill of Entry No. 5742504 dated 17.11.2025, declaring the import price at USD 3.5 per Kg., which is the Minimum Import Price prescribed

under DGFT Notification No. 49/2024-25 dated 04.01.2025. Accordingly, in terms of Rule 4 of the CVR, 2007, the import price of the identical goods i.e. USD 3.5 per Kg., as declared by the importer himself in the same Bill of Entry, has been adopted for re-determination of the assessable value of the mis-declared goods. Shri Suwansh Dhall, Proprietor of M/s. S K Knitfab, in his statement dated 19.03.2026, also stated that he agreed to the proposed re-valuation as per the import of identical goods and agreed to the consequential payment of differential duty and taxes. I accordingly hold that the declared assessable value of Rs. 28,69,708/- is liable to be rejected under Rule 12 of the CVR, 2007 and the assessable value of the imported goods is required to be re-determined at **Rs. 52,34,971/- (Rupees Fifty Two Lakh Thirty Four Thousand Nine Hundred and Seventy One only)** under Rule 4 of the CVR, 2007 read with Section 14 of the Customs Act, 1962.

16. I now take up the **third issue** regarding the demand of differential duty. Based on the re-determined classification under CTI 60019200, re-determined quantity and re-determined assessable value of Rs. 52,34,971/-, the total duty liability on the imported goods and the differential duty payable has been quantified as under, as detailed in **Annexure-A** to the SCN:

Sr. No.	**Description as per BE 5742504 dated 17.11.2025**	**Goods as per Test Report**	**CTI**	**Duty Assessed in BE (Rs.)**	**Total Applicable Duty (Rs.)**	**Differential Duty (Rs.)**
1	Polyester Knitted Cut Pile Fabrics	Knitted Cut Pile Fabric	60019200	3,47,499	11,41,336	7,93,837
2	Polyester Knitted Long Pile Fabrics	Knitted Cut Pile Fabric	60019200	2,70,272	3,29,691	59,419
Total				**6,17,771**	**14,71,027**	**8,53,256**

16.1 I find that the total differential duty liability of **Rs. 8,53,256/- (Rupees Eight Lakh Fifty Three Thousand Two Hundred and Fifty Six only)** has arisen on account of the deliberate mis-declaration of description and quantity of goods, resulting in

short-levy of applicable duties and taxes. I accordingly hold that the differential duty of Rs. 8,53,256/- is liable to be included in the total duty liability at the time of clearance of the goods.

17. CONFISCATION OF GOODS:

17.1 I now proceed to discuss the **issue of confiscation** of the imported goods under Section 111 of the Customs Act, 1962. I find that the Show Cause Notice has proposed confiscation of the impugned goods under Sections 111(l) and 111(m) of the Customs Act, 1962. The relevant legal provisions of Section 111(d) and 111(m) of the Customs Act, 1962 are reproduced below:

> *"...*
>
> *(l) any dutiable or prohibited goods which are not included or are in excess of those included in the entry made under this Act, or in the case of baggage in the declaration made under section 77;*
>
> *(m) any goods which do not correspond in respect of value or in any other particular with the entry made under this Act or in the case of baggage with the declaration made under section 77 in respect thereof, or in the case of goods under transhipment, with the declaration for transhipment referred to in the proviso to sub-section (1) of section 54.*
>
> *..."*

17.2 I find that Section 111(l) of the Customs Act, 1962 provides that any dutiable or prohibited goods which are not included or are in excess of those included in the entry made under the Act shall be liable to confiscation. I find that in the present case, the actual quantity of Cut Pile Fabric found under examination (12,966.3 Kgs.) substantially exceeds the quantity of Cut Pile Fabric declared in the Bill of Entry (3,947 Kgs.), and 3,745.5 Kgs. of goods declared as Long Pile Fabric have been found to be in fact Cut Pile Fabric — a restricted item under DGFT Notification No. 49/2024-25 dated 04.01.2025. The goods not correctly included or in excess of those declared attract the provisions of Section 111(l) of the Customs Act, 1962.

17.3 I further find that Section 111(m) of the Customs Act, 1962 provides that any goods which do not correspond in respect of value or in any other particular with the

entry made under the Customs Act shall be liable to confiscation. In the present case, the entire consignment of goods imported vide Bill of Entry No. 5742504 dated 17.11.2025 does not correspond to the declared description, classification, and quantity in respect of the goods declared as "Polyester Knitted Long Pile Fabrics" under CTI 60011090, as established by the CRCL test reports and admitted by the Proprietor himself. The goods accordingly do not correspond with the entry made in the Bill of Entry in respect of their description, classification, quantity and value — each being a material particular within the meaning of Section 111(m) of the Customs Act, 1962. I accordingly hold that the entire consignment of seized goods having re-determined assessable value of **Rs. 52,34,971/-** is liable to confiscation under Sections 111(l) and 111(m) of the Customs Act, 1962.

18. IMPOSITION OF REDEMPTION FINE IN LIEU OF CONFISCATION UNDER SECTION 125 OF THE CUSTOMS ACT, 1962:

18.1 As the impugned goods have been held liable for confiscation under Sections 111(l) and 111(m) of the Customs Act, 1962, I now proceed to consider whether an option to redeem the goods on payment of a Redemption Fine under Section 125 of the Customs Act, 1962 should be given to the importer.

18.2 Section 125(1) of the Customs Act, 1962 reads as under:

> *"Section 125. Option to pay fine in lieu of confiscation.—(1) Whenever confiscation of any goods is authorised by this Act, the officer adjudging it may, in the case of any goods, the importation or exportation whereof is prohibited under this Act or under any other law for the time being in force, and shall, in the case of any other goods, give to the owner of the goods...an option to pay in lieu of confiscation such fine as the said officer thinks fit."*

18.3 A plain reading of the above provision reveals that the imposition of Redemption Fine serves as an alternative to confiscation, providing the owner of the goods an opportunity to redeem them on payment of a fine, wherever their clearance for home consumption is not restricted under any policy or statutory provision.

18.4 In the present case, all the seized goods are Polyester Knitted Cut Pile Fabric classifiable under CTI 60019200. As established above, import of goods under CTI 60019200 attracting MIP based restriction under DGFT Notification No. 49/2024-25 dated 04.01.2025, being permitted freely only subject to fulfillment of the Minimum Import Price condition of USD 3.5 per Kg. Since the restriction is a conditional

restriction based on Minimum Import Price and not an absolute prohibition, the discretion to give an option of Redemption Fine exists under Section 125(1) of the Customs Act, 1962. I find it appropriate to exercise this discretion and give an option to the importer to redeem the confiscated goods on payment of an appropriate Redemption Fine, subject to the importer fulfilling the conditions stipulated under DGFT Notification No. 49/2024-25 dated 04.01.2025 including the Minimum Import Price condition and payment of all applicable duties thereon. Such release, is given taking into account the factual position, the importer's acceptance of the re-classification and re-valuation and willingness to discharge all duty liabilities, and to avoid disproportionate hardship, while ensuring that the regulatory and revenue interests of the Government are adequately protected through the levy of Redemption Fine and penalties.

DISCUSSION ON IMPOSITION OF PENALTIES ON NOTICEES

19. Penalty on M/s. S K Knitfab (Noticee No. 1 — Importer):

19.1 I find that M/s. S K Knitfab filed SEZ Bill of Entry No. 5742504 dated 17.11.2025, declaring 700 rolls of fabric with total net weight of 17,400 Kgs., comprising (a) Polyester Knitted Cut Pile Fabric under CTI 60019200 at 3,947.8 Kgs. and (b) Polyester Knitted Long Pile Fabric under CTI 60011090 at 13,033.2 Kgs. As established by the CRCL test reports, the goods declared as "Polyester Knitted Long Pile Fabric" under CTI 60011090 are in fact "Polyester Knitted Cut Pile Fabric" correctly falling under CTI 60019200. Moreover, the actual quantity of Cut Pile Fabric found during examination was 12,966.3 Kgs. against the declared 3,947 Kgs. — an under-declaration of over 9,000 Kgs. — while the quantity of Long Pile Fabric found was only 3,745.5 Kgs. against the declared 13,033 Kgs. The entire modus operandi was designed to conceal the true quantum of Cut Pile Fabric imported, so as to avoid the Minimum Import Price condition of USD 3.5 per Kg. applicable to CTI 60019200 under DGFT Notification No. 49/2024-25 dated 04.01.2025. The importer deliberately inflated the quantity of Long Pile Fabric (which carries no MIP restriction) and correspondingly deflated the quantity of Cut Pile Fabric in the Bill of Entry, creating a false picture of the actual imports. Such systematic and pre-meditated mis-declaration in both description and quantity clearly establishes a conscious intent to circumvent the trade restriction and evade the applicable duty, and cannot be attributed to inadvertence or oversight. Shri Suwansh Dhall, Proprietor of M/s. S K Knitfab, himself admitted in his statement dated 19.03.2026 that the imported goods were

misclassified and the Bill of Entry was mis-declared, and that M/s. S K Knitfab had not fulfilled the Minimum Import Price criteria.

19.2 I find that Section 112(a) of the Customs Act, 1962 provides that any person 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, shall be liable to penalty. In the present case, as established above, the importer M/s. S K Knitfab has committed deliberate acts of mis-declaration of description, mis-classification and under-declaration of quantity of goods in Bill of Entry No. 5742504 dated 17.11.2025, which have rendered the goods liable to confiscation under Sections 111(l) and 111(m) of the Customs Act, 1962. The importer has, by making a false and incorrect declaration in the said Bill of Entry, contravened Section 46 of the Customs Act, 1962.

19.3 I find that all the seized goods are Polyester Knitted Cut Pile Fabric classifiable under CTI 60019200, attracting MIP under DGFT Notification No. 49/2024-25 dated 04.01.2025. The importer has, by mis-declaring and concealing the import of the MIP goods under the guise of Long Pile Fabrics, rendered these goods liable to confiscation under Sections 111(l) and 111(m) of the Customs Act, 1962. The importer is accordingly liable to penalty under Section **112(a)** of the Customs Act, 1962.

19.4 I find that imposition of penalty under both Section 112(a) and Section 112(b) simultaneously for the same act would amount to imposition of double penalty; I therefore refrain from imposition of penalty under Section 112(b) of the Customs Act, 1962.

20. Penalty on Shri Suwansh Dhall, Proprietor of M/s. S K Knitfab (Noticee No. 2):

20.1 I find that Shri Suwansh Dhall is the Proprietor of M/s. S K Knitfab and, as established from his statement dated 19.03.2026 recorded under Section 108 of the Customs Act, 1962, is the key person who looks after the sales, purchase and overall operations of the firm including the import of the subject consignment. In his statement, he categorically admitted that the imported goods were mis-classified and mis-declared in Bill of Entry No. 5742504 dated 17.11.2025; that the goods declared as "Polyester Knitted Long Pile Fabric" were in fact "Polyester Knitted Cut Pile Fabric"; that M/s. S K Knitfab had not fulfilled the Minimum Import Price criteria for import of Knitted Cut Pile Fabric under CTI 60019200; and that he accepts the proposed re-classification and re-valuation and agrees to discharge all duty liabilities. He was thus

fully aware that the goods being imported under the guise of Long Pile Fabric were in fact Cut Pile Fabric, and that the declaration in the Bill of Entry was false and incorrect in material particulars.

20.2 I find that Section 114AA of the Customs Act, 1962 provides that if a person knowingly or intentionally makes, signs or uses, or causes to be made, signed or used, any declaration, statement or document which is false or incorrect in any material particular in the transaction of any business for the purposes of the Act, he shall be liable to a penalty not exceeding five times the value of the goods. I find that Shri Suwansh Dhall, as Proprietor and the person handling all business operations and import activities of M/s. S K Knitfab, was the person responsible for filing and causing to be filed Bill of Entry No. 5742504 dated 17.11.2025 with false and incorrect declarations in material particulars, viz., incorrect description of goods as "Polyester Knitted Long Pile Fabrics" instead of the actual "Polyester Knitted Cut Pile Fabrics"; incorrect classification under CTI 60011090 instead of the correct CTI 60019200; and gross under-declaration of the actual quantity of Cut Pile Fabric (3,947 Kgs. declared against 12,966.3 Kgs. actually found). By causing such false and incorrect declarations to be made and submitted to the Customs authorities, Shri Suwansh Dhall has knowingly and intentionally made/caused to be made declarations before the Customs which are false and incorrect in material particulars. I accordingly hold that Shri Suwansh Dhall, Proprietor of M/s. S K Knitfab, is liable to penalty under Section 114AA of the Customs Act, 1962.

21. In view of the foregoing discussions and findings, I pass the following order:

ORDER

(i) I reject the declared description, quantity and classification of the goods imported vide SEZ Z-type Bill of Entry No. 5742504 dated 17.11.2025 and order to re-described, re-quantified and re-classified as detailed in Table-“6” above.

(ii) I reject the declared assessable value of **Rs. 28,69,708/- (Rupees Twenty Eight Lakh Sixty Nine Thousand Seven Hundred and Eight only)** under Rule 12 of the Customs Valuation (Determination of Value of Imported Goods) Rules, 2007 and order to re-determine the same at **Rs. 52,34,971/- (Rupees Fifty Two Lakh Thirty Four Thousand Nine Hundred and Seventy One only)** under Rule 4 of the CVR, 2007 read with Section 14 of the Customs Act, 1962.

(iii) I order re-assessment of the said Bill of Entry no. 5742504 dated 17.11.2025 under Section 17(4) of the Customs Act, 1962 with re-determined classification, description quantity and value as discussed above.

(iv) I confirm the differential duty of **Rs. 8,53,256/- (Rupees Eight Lakh Fifty Three Thousand Two Hundred and Fifty Six only)** arising consequent to such re-assessment shall be payable by the importer M/s. S K Knitfab (IEC: CIVPD2608E).

(v) I order confiscation of the entire seized goods — 700 rolls of Polyester Knitted Cut Pile Fabric, total gross weight 17,400 Kgs., having re-determined assessable value of **Rs. 52,34,971/- (Rupees Fifty Two Lakh Thirty Four Thousand Nine Hundred and Seventy One only)**, under Sections 111(l) and 111(m) of the Customs Act, 1962. However, I give an option to the importer M/s. S K Knitfab to redeem the said goods on payment of a **Redemption Fine of Rs. 5,20,000/- (Rupees Five Lakh Twenty Thousand only)** under Section 125(1) of the Customs Act, 1962, as discussed above.

(vi) I impose a penalty of **Rs. 85,000/- (Rupees Eighty Five Thousand only)** upon the importer M/s. S K Knitfab (IEC: CIVPD2608E), under Section **112(a)(ii)** of the Customs Act, 1962.

(vii) I impose a penalty of **Rs. 50,000/- (Rupees Fifty Thousand only)** upon Shri Suwansh Dhall, Proprietor of M/s. S K Knitfab, under Section **114AA** of the Customs Act, 1962.

22. This order is issued without prejudice to any other action which may be contemplated against the importer or any other person under the provisions of the Customs Act, 1962 and rules/regulations framed thereunder or under any other law for the time being in force in the Republic of India.

23. The Show Cause Notice No. 37/2026-27/ADC/ZDC/MCH dated 05.05.2026 is hereby disposed of on the above terms.

Digitally signed by Dipakbhai Zala
Date: 03-06-2026 12:08:49

(DIPAK ZALA)
Additional Commissioner of Customs,
Mundra Customs

F.No. GEN/ADJ/ADC/727/2026-Adjn-O/o Pr. Commr-Cus-Mundra

To:

(i) M/s. S K Knitfab (IEC: CIVPD2608E),
1, Jain Hosiery Complex, Ram Nagar,
Noorwala Branch Post Office, Noorwala Village,
Ludhiana, Punjab-141007

(ii) Shri Suwansh Dhall, Proprietor of M/s. S K Knitfab,
1, Jain Hosiery Complex, Ram Nagar,
Noorwala Branch Post Office, Noorwala Village,
Ludhiana, Punjab-141007

Copy to:

1. The Additional Director General, DRI, Ahmedabad Zonal Unit
2. The Dy./Assistant Commissioner, EDI, Customs Mundra (For uploading on official website)
3. The Dy./Asstt. Commissioner (RRA/TRC), Customs House, Mundra