



प्रधान आयुक्त का कार्यालय, सीमा शुल्क, अहमदाबाद  
 सीमा शुल्क भवन, आल इंडीया रेडियो के पास, नवरंगपुरा, अहमदाबाद 380009  
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**निबन्धित पावती डाक द्वारा / By SPEED POST A.D.**

फा. सं./ F. No.: **VIII/10-08/Pr. Commr./O&A/2024-25**  
 DIN- 20250671MN000081829E

आदेश की तारीख/Date of Order : 25.06.2025  
 जारी करने की तारीख/Date of Issue : 25.06.2025

द्वारा पारित :-  
**Passed by :-**

**शिव कुमार शर्मा, प्रधान आयुक्त**  
**Shiv Kumar Sharma, Principal Commissioner**

मूल आदेश संख्या :

**Order-In-Original No: AHM-CUSTM-000-PR.COMMR-14-2025-26 dtd.  
 25.06.2025** in the case of M/s. K. M. Electronic Cables Private Limited (IEC-0805015680), "K. M. House" Nr. C. U. Shah College, Income Tax Circle, Ashram Road Ahmedabad – 380014.

1. जिस व्यक्ति(यों) को यह प्रति भेजी जाती है, उसे व्यक्तिगत प्रयोग के लिए निःशुल्क प्रदान की जाती है।
1. This copy is granted free of charge for private use of the person(s) to whom it is sent.
2. इस आदेश से असंतुष्ट कोई भी व्यक्ति इस आदेश की प्राप्ति से तीन माह के भीतर सीमा शुल्क, उत्पाद शुल्क एवं सेवाकर अपीलीय न्यायाधिकरण, अहमदाबाद पीठ को इस आदेश के विरुद्ध अपील कर सकता है। अपील सहायक रजिस्ट्रार, सीमा शुल्क, उत्पाद शुल्क एवं सेवाकर अपीलीय न्यायाधिकरण, दुसरी मंजिल, बहुमाली भवन, गिरिधर नगर पुल के बाजु मे, गिरिधर नगर, असारवा, अहमदाबाद-380 004 को सम्बोधित होनी चाहिए।
2. Any person deeming himself aggrieved by this Order may appeal against this Order to the Customs, Excise and Service Tax Appellate Tribunal, Ahmedabad Bench within three months from the date of its communication. The appeal must be addressed to the Assistant Registrar, Customs, Excise and Service Tax Appellate Tribunal, 2nd Floor, Bahumali Bhavan, Nr. Girdhar Nagar Bridge, Girdhar Nagar, Asarwa, Ahmedabad – 380004.
3. उक्त अपील प्रारूप सं. सी.ए.3 में दाखिल की जानी चाहिए। उसपर सीमा शुल्क (अपील) नियमावली, 1982 के नियम 3 के उप नियम (2) में विनिर्दिष्ट व्यक्तियों द्वारा हस्ताक्षर किए जाएंगे। उक्त अपील को चार प्रतियों में दाखिल किया जाए तथा जिस आदेश के विरुद्ध अपील की गई हो, उसकी भी उतनी ही प्रतियाँ संलग्न

की जाएँ (उनमें से कम से कम एक प्रति प्रमाणित होनी चाहिए)। अपील से सम्बंधित सभी दस्तावेज भी चार प्रतियों में अग्रेषित किए जाने चाहिए।

3. The Appeal should be filed in Form No. C.A.3. It shall be signed by the persons specified in sub-rule (2) of Rule 3 of the Customs (Appeals) Rules, 1982. It shall be filed in quadruplicate and shall be accompanied by an equal number of copies of the order appealed against (one of which at least shall be certified copy). All supporting documents of the appeal should be forwarded in quadruplicate.

4. अपील जिसमें तथ्यों का विवरण एवं अपील के आधार शामिल हैं, चार प्रतियों में दाखिल की जाएगी तथा उसके साथ जिस आदेश के विरुद्ध अपील की गई हो, उसकी भी उतनी ही प्रतियाँ संलग्न की जाएंगी (उनमें से कम से कम एक प्रमाणित प्रति होगी)

4. The Appeal including the statement of facts and the grounds of appeal shall be filed in quadruplicate and shall be accompanied by an equal number of copies of the order appealed against (one of which at least shall be a certified copy.)

5. अपील का प्रपत्र अंग्रेजी अथवा हिन्दी में होगा एवं इसे संक्षिप्त एवं किसी तर्क अथवा विवरण के बिना अपील के कारणों के स्पष्ट शीर्षों के अंतर्गत तैयार करना चाहिए एवं ऐसे कारणों को क्रमानुसार क्रमांकित करना चाहिए।

5. The form of appeal shall be in English or Hindi and should be set forth concisely and under distinct heads of the grounds of appeals without any argument or narrative and such grounds should be numbered consecutively.

6. केंद्रिय सीमा शुल्क अधिनियम, 1962 की धारा 129 ऐ के उपबन्धों के अंतर्गत निर्धारित फीस जिस स्थान पर पीठ स्थित है, वहां के किसी भी राष्ट्रीयकृत बैंक की शाखा से न्यायाधिकरण की पीठ के सहायक रजिस्ट्रार के नाम पर रेखांकित माँग ड्राफ्ट के जरिए अदा की जाएगी तथा यह माँग ड्राफ्ट अपील के प्रपत्र के साथ संलग्न किया जाएगा।

6. The prescribed fee under the provisions of Section 129A of the Customs Act, 1962 shall be paid through a crossed demand draft, in favour of the Assistant Registrar of the Bench of the Tribunal, of a branch of any Nationalized Bank located at the place where the Bench is situated and the demand draft shall be attached to the form of appeal.

7. इस आदेश के विरुद्ध सीमा शुल्क, उत्पाद शुल्क एवं सेवाकर अपीलीय न्यायाधिकरण में शुल्क के 7.5% जहां शुल्क अथवा शुल्क एवं जुर्माना का विवाद है अथवा जुर्माना जहां सिर्फ जुर्माना के बारे में विवाद है उसका भुगतान करके अपील की जा सकती है।

7. An appeal against this order shall lie before the Tribunal 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".

8. न्यायालय शुल्क अधिनियम, 1870 के अंतर्गत निर्धारित किए अनुसार संलग्न किए गए आदेश की प्रति पर उपयुक्त न्यायालय शुल्क टिकट लगा होना चाहिए।

8. The copy of this order attached therein should bear an appropriate court fee stamp as prescribed under the Court Fees Act, 1870.

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Sub: Show Cause Notice No. VIII/10-08/Pr. Commr./O&A/2024-25 dated 18.07.2024 issued by the Principal Commissioner of Customs, Ahmedabad to M/s. K. M. Electronic Cables Private Limited (IEC-0805015680), "K. M. House" Nr. C. U. Shah College, Income Tax Circle, Ashram Road Ahmedabad – 380014.

### **BRIEF FACTS OF THE CASE.**

M/s. K. M. Electronic Cables Private Limited, "K. M. House" Nr. C. U. Shah College, Income Tax Circle, Ashram Road Ahmedabad – 380014 –IEC No. 0805015680 (hereinafter referred to as "the Importer" or "M/s. KMECPL" or "the Noticee") had imported items detailed in Table below, under Invoice No. YC2023110202A dated 26.12.2023, which were sought for clearance under home consumption vide Bill of Entry No. 9512314 dated 03.01.2024 filed through Customs Broker M/s. S M Enterprise (CB Code ABKPJ5436ECH001), under CTI 8529 9090 as spare parts of CCTV camera.

**Table-1**

<b>Sr. No.</b>	<b>Description</b>	<b>No. of Pieces</b>	<b>Ass Value</b>	<b>CTI</b>	<b>BCD Exemption</b>	<b>BCD Rate</b>
1	(CCTV Camera Spare Parts) IP Camera Module without Lens & ICR Model IVG G3H	15300	4837499	8529 9090	50/2017 Sr No. 516A	10%
2	(CCTV Camera Spare Parts) 6MP IP Camera Module without Lens & ICR Model IVG G6S	4800	5261175	8529 9090	50/2017 Sr No. 516A	10%
3	(CCTV Camera Spare Parts) Cable Cord Small IR LED to Module	20000	185490	8529 9090	50/2017 Sr No. 516A	10%
4	(CCTV Camera Spare Parts) Heat Sink 11*11*5 MM	20000	50588	8529 9090	50/2017 Sr No. 516A	10%
<b>Total</b>			<b>10334752</b>			

**2.** Since the goods did not appear to be Spare Parts of the CCTV camera, the above import consignment was examined by officers of Customs Air Cargo Complex, Ahmedabad in presence of the representative of Importer and Customs Broker and Shri Bhasker Bhatt, Chartered Engineer & Valuer under Panchanama dated 27.01.2024 and representative samples of the goods were drawn, *inter alia*, for seeking opinion of Chartered Engineer.

**3(a).** Chartered Engineer, Shri Bhasker Bhatt in his Report dated 09.02.2024 reported, *inter alia*, that

*The item Camera **Module without Lens & ICR Model IVG G3H & IVG H6S are mounting of the CCTV camera.** Camera Compact Module (CCM) is an important electronic device for image capture. In short, it is a device that converts the optical signal of an object into a digital signal that can be read and stored. It is mainly composed of lens, image sensor, VCM motor/base, IR filter, circuit board and other components. However, in this consignment there is no lens which is required to sharpen the light signals by focusing.*

*Camera modules have a wide range of applications, such as common medical, ATM machines, road monitoring, home monitoring and precision equipment mobile phone module cameras. There are shadows of camera modules in these industries. It can be said that the camera module is the most basic monitoring component, and it can also be called a monitoring camera without a casing.*

***This module has above mentioned all basic functions of camera, in addition to the basic functions it has components mounted on PCB which has capabilities to further process the captured image in context of operation and identification of human, face, vehicle etc. in different level of lights as well as Infra-red light sensors.*** The modules are without lens however the lens made up of Glass or plastic or hybrid as Glass with plastic are used for clarity, density of digital image, filtration, voice assisted mechanism, focusing motor etc.

In respect of other two items the report says:

The **connecting cables** are provided to transfer digital signals in to electrical signal for storage, reproduction etc.

The **heat sinks** are accessories, as the camera are installed in to open space exposed to sunlight as well it is supplied with electric power, and under operational condition heat is generated, which needs to be dissipated from the surface of the processors, otherwise it may stop working. Accordingly, the heat sinks are accessories, it improves and facilitate better performance of the electronic item where it is fitted.

With respect to the aspect whether camera modules has essential character of camera or otherwise, the report mentioned as under:

The Modules are capable to capture picture and convert the light signals in to digital / electrical signals. **Therefore, it has an essential characteristic to capture the picture which are sent to CMOS**; further for sharpness, face recognition, movement recording, image transfer etc processes could be achieved by additional items installed on the PCB. Based upon the application of the module lens may or may not be added. When finished product as a TV or CCTV or Computer camera of the quality of 3MP or more MP quality picture capturing needs to be achieved; one or more lens are added.

**3(b).** From the above mentioned report of Chartered Engineer, in respect of import consignment covered under Bill of Entry No. 9512314 dated 03.01.2024, it appeared that the Camera Modules were not only capable of capturing pictures and converting the light signals in to digital / electrical signals but also had components mounted on PCB which had capabilities to further process the captured image in context of operation and identification of human, face, vehicle etc. in different level of lights as well as Infra-red light sensors. Therefore, the camera modules mentioned at Sr. No. 1 and 2 of Table-1 above do have the essential character of a camera. Out of the remaining two items i.e. **connecting cable**, which transfers digital signals in to electrical signals for storage and reproduction, appeared to be part of CCTV camera, **the heat sink**, which enhances the working of the camera by dissipating excess heat, appeared to be accessories of the CCTV camera.

**4(a).** The Importer vide letter dated 18.01.2024 contended, in respect of the camera modules covered under Bill of Entry No. 9512314 dated 03.01.2024, that the modules did not have lens, ICR / IR filters; that Camera module remain non-functional till lenses and filters are fitted, till it is connected to a Power Over Ethernet (POE) PCB switch and till it is embedded and encased in a weather proof 7piece casing.

**4(b).** On going through details of consignments of camera modules / camera parts imported by M/s. KMECPL in past under Customs Tariff Item (CTI for short) 8529 9090, it is noticed that M/s. KMECPL have been regularly importing such items viz lens, ICR / IR filters, Power Over Ethernet (POE) PCB switch and camera housings as spare parts of camera. **Bill of Entry wise details of goods imported as Spare Parts viz Spare Part Camera, Spare Part Camera Modules and other items viz Spare Part ICR / IR filters, Spare Part Power Over Ethernet (POE) PCB switch and Spare Part Camera Housings** imported by M/s. KMECPL during last five years under CTI 8529 9090 are compiled in separate Annexures as detailed in Table-2 below.

**Table -2**

Sr. No.	Details of imports of (pre-fixed by Spare Parts)	Annexure Name	Qty (Nos.)
1	Camera	<b>Annexure A1(Camera)</b>	2,132

2	Camera Modules / zoom modules / zoom camera modules	<b>Annexure-A2(Zoom Camera Module)</b>	9,322
3	Camera module with lens and IR/ICR filter	<b>Annexure-A3(Camera Module with lens/IR filter)</b>	1,31,660
4	Camera module without lens and IR/ICR filter	<b>Annexure-A4(Camera Module without lens/IR filter)</b>	2,37,309
5	Lens and IR/ICR filters, individually or in combined form	<b>Annexure-A5(Lens-IR/ICR filter)</b>	5,83,843
6	POE Board	<b>Annexure-A6(POE)</b>	2,02,861
7	Housing	<b>Annexure-A7(Housing)</b>	24,945
8	Cable POE to Module / cable IR LED to Module	<b>Annexure-A8(Cable)</b>	3,42,428
9	Heat Sink	<b>Annexure-A9(Heat Sink)</b>	2,42,195

**4(c).** The above mentioned data of M/s. KMECPL shows that in certain consignments Camera Modules without certain parts viz Lens, IR / ICR filter, POE Board were imported. However, it also revealed that such parts viz Lens, IR / ICR filter, POE Board, Cables have been regularly imported. The segregated import data of different items in Table-2 above, confirmed that parts missing in camera modules have been imported in comparable quantity during the contemporary period. The data of Table-2 shows that 1,31,660 camera module with Lens (with or without ICR / IR LED) and 2,37,309 camera modules without lens have been imported as “spare parts” during last five years. In the same period, 2,02,861 POE boards have been imported. Quantity of Lens (with or without ICR) and IR LED imported during the same period is 5,83,843. Approximately double quantity of Lens and IR/ICR filters appeared to be on account of the fact that in certain consignments only lens was imported in certain others only IR LED were imported and in certain others both lens and IR / ICR filters together had been imported.

**5. Statement of Shri Khushiram M. Ratanchandani (RUD No. 5),** Managing Director of M/s. KMECPL was recorded under Section 108 of the Customs Act, 1962, before Superintendent of Customs, Air Cargo Complex, Ahmedabad on 19.06.2024 wherein he inter alia stated:

- that he was overall in-charge of the company and looked after all work including placing purchase order and custom clearance of imported goods;
- that they import parts, components and accessories of CCTV camera for manufacturing CCTV camera;
- that Camera Module is a populated PCB of camera;
- that till 2021 their supplier used to supply camera module with lens and ICR but thereafter camera module and lens / ICR were being imported separately;
- that ICR support in lens enables working camera both in day and night and IR LED fitted in camera enables camera to see in night time;
- that Power Over Ethernet (POE) board provides power to the camera, small cables are used to connect certain components to module viz POE to Module, IR LED TO Module. Heat Sink dissipates heat generate in PCB.
- On being asked about different types of items components imported by M/s. KMECPL, he stated that items imported as camera are sample pieces of camera or cameral modules, that imported as zoom modules are camera modules for cameras which have Zoom functionality; that imported as camera modules with lens / IR are camera modules along with which lens (with or without ICR) and camera modules without lens /ICR are such camera modules which do not have lens (with or without ICR).
- On being asked he stated that Lens were sometimes imported with ICR /IR LEDs and sometimes without ICR / IR LEDs; that ICR support in lens enables

working camera both in day and night. IR LED fitted in camera enables camera to see in night time, that Power Over Ethernet (POE) board provides power to the camera, small cables were used to connect certain components to module viz POE to Module, IR LED to Module and work of Heat Sink is to dissipate heat generate in PCB.

- On being asked as to why camera modules imported by them during 2011 to till 2015 were classified under CTH 8525 wherein words “CCTV Camera Spare Part / Spare Part” were not used in description, he could not give any reply.
- On being asked as to why words “CCTV Camera Spare Part / Spare Part” were used in description of imported goods viz modules / Lens / POEs / Housing etc and whether they were only used only servicing / repairing / replacing parts of CCTV Cameras, he stated that the items imported by them were rarely used for servicing / repair and that they use them to manufacture finished camera.
- On being asked if any parts of camera were being sourced from domestic companies he stated that they source parts of housing which they get manufactured on contract basis.
- On being asked about manufacturing process he mentioned steps as attaching cable and bonded using adhesive, attaching UV treated glass with front part of housing, cleaning of camera module attaching lens to it and focus adjustment, Firmware installation and update and completion of assembly of finished camera.

#### **Correct classification of goods:**

**6(a).** As per Section 12 of Customs Act 1962, duties of Customs are levied, on the goods imported into India, as per rates specified in Schedule I (or Import Tariff) to Customs Tariff Act, 1975. Classification of goods in First Schedule is governed by the General Rules for the Interpretation of Import Tariff (“GRoI” for short). Rule 1 of GRoI stipulates that :-

*1. The titles of Sections, Chapters and sub-chapters are provided for ease of reference only; for legal purposes, classification shall be determined according to the terms of the headings and any relative Section or Chapter Notes and, provided such headings or Notes do not otherwise require, according to the following provisions:*

**6(b).** Television camera is covered under Custom Tariff Heading (CTH for short) 8525 and parts of items of CTH 8525 are covered under CTH 8529. There appears no specific Section Note or Chapter Note on classification of camera and parts of camera. Therefore, next GRoI i.e. Rule 2(a) comes into picture for the purpose of classification of subject import goods, which states as under:-

*2(a). Any reference in a heading to an article shall be taken to include a reference to that article incomplete or unfinished, provided that, as presented, the incomplete or unfinished articles has the essential character of the complete or finished article. It shall also be taken to include a reference to that article complete or finished (or failing to be classified as complete or finished by virtue of this rule), presented unassembled or disassembled.*

**6(c).** Above mentioned rule 2(a) stipulates that if an un-finished or incomplete article has the essential character of finished or complete article then such un-finished or incomplete article would be classified in import tariff by treating such un-finished / incomplete article as finished or complete article. Second part of Rule 2 (a) stipulates that if an imported un-assembled parts can be assembled to form an article then such un-assembled parts would be classified under same heading as the finished article. Moreover, the combination of two parts of Rule 2(a) would mean that if imported un-assembled parts can be assembled to form an un-finished or incomplete article having essential character of finished / complete article then such

un-assembled parts would be classified under same heading as the finished / complete article.

**6(d).** Explanatory Notes to Harmonized System of classification of Import Tariff are issued by Customs Cooperation Council, World Customs Organization to explain the Tariff. Said explanatory Notes explain the GRoI Rule 2(a) as under:

*The first part of Rule 2 (a) extends the scope of any heading which refers to a particular article to cover not only the complete article but also that article incomplete or unfinished, provided that, as presented, it has the essential character of the complete or finished article.*

*The second part of Rule 2(a) provides that complete or finished articles presented unassembled or disassembled are to be classified in the same heading as the assembled article: When goods are so presented, it is usually for reasons such as requirements or convenience of packing, handling or transport.*

**This Rule, also applies to incomplete or unfinished, articles presented unassembled or disassembled provided that they are to be treated as complete or finished articles by virtue of the first part of this Rule.**

The last part of above clarification of Rule 2 (a) contained in Explanatory Notes to Harmonized System of classification of Import Tariff, unambiguously clarifies, that if un-assembled parts can be assembled to form an un-finished / incomplete article having essential character of such article then all such un-assembled parts of such article would be liable to be classified under the heading / sub heading where such article in finished / complete form is classified.

### **Correct classification of Camera Modules.**

**6(e)(i).** In the present case, items mentioned at Sr. No. 1 to 9 of Table-2 above, imported by M/s. KMECPL were required to be considered for classification under appropriate Customs Tariff Heading. Items mentioned at Sr. No. 5 to 8 of Table- 2 are components or parts of CCTV camera. The same would have merited classification under CTH 8529 as parts of items covered in CTH 8525, if M/s. KMECPL had not been importing Camera Modules. The **Camera Modules without lens and IR / ICR filter** (mentioned at Sr. No. 4) imported under Bill of Entry No. 9512314 dated 03.01.2024 have been found having essential character of camera as per report dated 09.02.2024 of Chartered Engineer. If Lens, IR / ICR filter are added to these Camera Modules, it would make the modules more functional and a more complete or finished camera. Shri Khushiram M. Ratanchandani, Managing Director of M/s. KMECPL in his statement stated that they import CCTV Camera Module, sometimes with lens and ICR and sometimes without Lens /ICR. Also while explaining manufacture process he mentioned attaching lens and other parts to module in general. Therefore, it was clear that all camera modules were same except for presence of lens and ICR. Therefore, all goods imported with description **Camera (Sr. No. 1), Zoom Camera Modules (Sr. No. 2) and Camera Modules with lens and IR / ICR filter (Sr. No. 3), Camera Modules without lens and IR / ICR filter (Sr. No. 4) of Table 2 above**, would definitely have essential character of finished camera and merit classification under CTH 8525 and not as parts of camera under CTH 8529, **in terms of first part of Rule 2(a) of GRoI.**

**6(e)(ii)** Some of the examples of application of Rule 2(a) given in explanatory notes to HSN are as under:

*(1) Explanatory Note in Chapter 86*

*Incomplete or unfinished vehicles are classified with the corresponding complete or finished vehicles, provided they have the essential character thereof. Such vehicles may include: Locomotives or motorized railway or tramway coaches, not fitted with a power unit, measuring instruments, safety apparatus or service equipment.*

*(2) Explanatory Note in Chapter 87*

An incomplete or unfinished vehicle is classified as the corresponding complete or finished vehicle provided it has the essential character of the latter, as for example: (i) A motor vehicle, not yet fitted with the wheels or tyres and battery. (ii) A motor vehicle not equipped with its engine or with its interior fittings.

(3) *Explanatory Note in Chapter 87*

*Incomplete or unfinished aircraft (e.g., aircraft not equipped with engines or internal equipment) are classified as the corresponding complete or finished aircraft, provided they have the essential character of the latter.*

The above examples show that an unfinished / incomplete article need not be able to function as finished / complete article for being classified under same Tariff Item as the finished / complete item. It should only have essential character of finished / complete article. An aircraft not having as big and complex component as engine or internal equipments is to be classified under same tariff item as the finished / complete aircraft provided it has essential character of aircraft. In the present case, Chartered engineer has reported that the module has the essential character of camera as it **has all basic functions of camera**. In addition to the basic functions, **it has components mounted on PCB which have capabilities to further process the captured image in context of operation and identification of human, face, vehicle etc. in different level of lights as well as Infra-red light sensors**. Therefore, going by similar examples given in explanatory notes also, Camera Modules (listed in Annexures at Sr. No. 1 to 4 of Table-2) appeared to be classifiable under CTI 8525 8090 as finished camera by application of Rule 2(a) of GRoI.

**6(e)(iii)** The Importer vide letter dated 18.01.2024 had referred to CROSS Ruling NY E86557 dated September 23, 1999 and NY F84302 dated March 20, 2000 of Director, National Commodity Specialist Division, to support their claim that camera module being imported by them were classified under CTH 8529. However, ongoing through the Ruling NY E86557 and NY F84302, it was noticed that the modules i.e. CCD Camera Module (model YH-9TM1) and the integrated Circuit with Lens (model LZOP3800) mentioned in above two differ from the camera module imported by M/s. KMECPL with respect to basic criteria i.e. essential character of camera. The two camera modules described in the Rulings NY E86557 and NY F84302 are mentioned as under.

**Color CCD Camera Module (model YH-9TM1)** consists of a CCD board and a lens only. The module is **not capable of converting or processing the image data**.

**Integrated Circuit with Lens (model LZOP3800)** the sample submitted is a single piece, which has a lens on top of an integrated circuit that captures the light from the images and converts it to electricity. This is merely CCD raw data, analog signal. **The item is not capable of converting or processing the image data**.

Therefore, the essential character of the camera i.e. ability to convert and process the image data was missing in the above two modules. For the very reason these items though given name as module were kept outside purview of camera in Rulings NY E86557 and NY F84302. However, on contrary a camera module having ability to converting and processing image data has been ruled under as camera under CTH 8525 in detailed Ruling No. HQ W968349 dated 08.02.2007 issued by Tariff Classification and Marking Branch, USA. The relevant extract from the Ruling is reproduced below.

*When classifying CCD cameras or camera modules, CBP looks to the functionality of the item upon entry to the United States. Even when incomplete, if the CCD module is capable of “converting or processing image data” at the time of entry, it is classifiable under the heading 8525, HTSUS, as a television*

**camera.** See *New York Ruling (NY) E86557, dated September 23, 1999. See also HQ 953116, dated October 6, 1993 (Incomplete MicroImager digital camera classified under subheading 8525.30, HTSUS).* The CCD is an image sensor which transforms light into electrical charges. These electrical charges are passed to the ADC which converts each charge into a digital value and then into binary code. The image data, which enters the subject module as light, is exported in the form of binary code as a result of the combined actions of the CCD and ADC. The module is therefore capable of "converting or processing image data," and falls under heading 8525, HTSUS.

In respect of camera modules imported by M/s. KMECPL, the Chartered Engineer confirmed in his report that **they have all basic functions of camera, in addition to the basic functions it has components mounted on PCB which has capabilities to further process the captured image in context of operation and identification of human, face, vehicle etc. in different level of lights as well as Infra-red light sensors.**

The above facts show that camera modules imported (with or without lens & ICR filter) by M/s. KMECPL have the capability to capture and process image data and thus appear to be classifiable under CTH 8525.

**Correct classification of Lens with ICR / IR LED, POE Board, cables and housing:**

**6(f)(i).** The items mentioned at Sr. No. 5 to 8 when added to **Camera Modules without lens and IR / ICR filter** would make these modules as complete / finished camera or more finished camera module. Shri Khushiram M. Ratanchandani, explained the process of manufacture of camera and submitted write up of manufacturing process of camera (dome camera). The write up lists all items which are added to the module including nuts and processes involved. The major items added to Module to get finished camera are Lens with ICR (if module is without lens), IR LED, POE Board, cables and housing. Lens with ICR and cables are imported. While Housing, POE Board are imported as well as procured domestically. The remaining items are as insignificant as nuts, foam and silica bag. The Processes involved up to getting finished camera are mere attaching / assembling / testing. The steps leading to finished camera as stated by Shri Khushiram M Ratanchandani in his statement are as under:

- (i) Attaching cable and bonded using adhesive.
- (ii) Front part of housing is glass attached and UV treated.
- (iii) Module is cleaned and lens attached and focus adjustment.
- (iv) Securus Firmware installation and update
- (v) Completion of assembly of finished camera.

Therefore, it is clear that Parts being imported by M/s. KMECPL viz are simple fixing, attaching and assembling. No work (major or minor) is done on imported items viz lens and IR/ICR filter, IR LED, POE Board, cables and housing before attaching to module. Therefore, POE boards would also merit classification under CTH 8525 in terms of second part of Rule 2(a) of GRoI. The scope of applicability of the second part of Rule 2(a) is touched upon in Circular No. 44/1997 dated 30.09.1997. The issue is clarified in circular as under :-

Rule 2 (a) of the Interpretative Rules of the First Schedule to the Customs Tariff Act, 1975, inter alia, provides for assessment of articles presented in unassembled or disassembled condition as complete article. It also provides for assessment of incomplete articles presented unassembled or disassembled, as complete article, provided the incomplete article has the essential characteristic of the complete article. The HSN Explanatory Note to this rule after its recent amendments, with reference to articles presented unassembled and disassembled explains these terms

by stating, inter alia, that the components in such cases are to be assembled either by means of simple fixing devices (by screws, nuts, bolts, etc.) or by riveting or by welding provided only assembly operations are involved. **It also states that no account is to be taken to the complexity of the assembly method. However, the components shall not be subjected to any further working operations to bring it to completion into finished state.** Thus, this rule is applicable in cases where;

- (i) Only assembly operations are involved irrespective of the complexities of the assembly methods; and
- (ii) Components themselves should not be subjected to any further working operations for completion into finished state.

Both above mentioned two conditions are fulfilled in case of camera components imported M/s. KMECPL and therefore the items lens and IR/ICR filter, IR LED, POE Board, cables and housing are classifiable under CTH 8525.

**6(f)(ii).** As per details of imports during last five years, aggregated in Annexure A, the number of camera modules with zoom functionality are 9,322 (Annexure A2), camera module imported with Lens (with or without ICR / IR LED) are 1,31,660 (Annexure A3) and camera modules imported without lens are 2,37,309 (Annexure A4). So total number of camera modules imported during period is 3,78,291. The quantity of housings, POE Boards and Heat Sink are less than number of camera modules and would get consumed in assembling to make these modules more finished camera. The number of lens with or without ICR filter and IR LED imported taken together is 5,83,091 (Annexure A5). This quantity is approximate to twice the number of modules. It is less than twice the quantity of module because lens would not be required in modules imported with lens (i.e. 1,31,660). Since this number is still less than twice the number of Modules, these lens/IR/ICR filters would also get consumed in assembling to such modules to form more finished camera and thus would merit classification under CTH 8525 in terms of second part of Rule 2(a) of GRoI.

#### **Correct classification of Heat Sink.**

**6(g).** As per report dated 09.02.2024 of Chartered Engineer, Heat Sink (Import item mentioned at Sr. 9 of Table- 2) are needed for dissipating heat from the surface of the processors of the camera to facilitate better performance. As per Accessories (Condition) Rules, 1963, accessories of, and Spare Parts and maintenance or repairing implements for, any article, when imported along with that article are classifiable under same Tariff Heading / Sub heading / item as the article, if imported along with the article. The number of Heat Sink imported i.e. 2,42,195 is less than the total number of camera modules imported during the period. Therefore, this item (Heat Sink) would merit classification under CTH 8525 of Import Tariff in terms of Accessories (Condition) Rules, 1963.

#### **Further classification under CTH 8525**

**6(h).** For the purpose of specific classification under eight digit Custom Tariff Item, the description of items covered under CTH 8525 is as under:

#### **CTH 8525 (upto 31.12.2021)**

8525 TRANSMISSION APPARATUS FOR RADIO-BROADCASTING OR TELEVISION, WHETHER OR NOT INCORPORATION RECEPTION APPARATUS OR SOUND RECORDING OR REPRODUCING APPARATUS; TELEVISION CAMERAS, DIGITAL CAMERAS AND VIDEO CAMERA RECORDERS

8525 50 -	<i>Transmission apparatus:</i>
...	
....	
8525 80 -	<i>Television cameras, digital cameras and video camera recorders:</i>
8525 80 10 -	<i>Television Cameras</i>
8525 80 20 --	<i>Digital cameras</i>
8525 80 30 --	<i>video camera recorders</i>
<b>8525 80 90 --</b>	<b><i>Other</i></b>

From the lay out of the Customs Tariff Heading 8525, as it stood till 31.12.2021, Cameras and Video Camera Recorders were mentioned at Tariff Sub Heading 8525 80. Since CCTV camera were not specifically mentioned at any of Tariff Items under Sub Heading 8525 80, the same would be classifiable under residuary Tariff Item 8525 8090. Therefore, correct classification of camera modules, Lens with ICR (if module is without lens), IR LED, POE Board, cables, housings and Heat Sink imported by M/s. KMECPL upto 31.12.2021 would be 8525 8090. Applicable Basic Customs Duty till 31.12.2021, goods of Tariff Item 8525 8090 was 20%.

#### **CTH 8525 (w.e.f. 01.01.2022)**

8525 TRANSMISSION APPARATUS FOR RADIO-BROADCASTING OR TELEVISION, WHETHER OR NOT INCORPORATION RECEPTION APPARATUS OR SOUND RECORDING OR REPRODUCING APPARATUS; TELEVISION CAMERAS, DIGITAL CAMERAS AND VIDEO CAMERA RECORDERS:

8525 50 -	<i>Transmission apparatus:</i>
....	
....	
8525 80 -	<i>Television cameras, digital cameras and video camera recorders:</i>
8525 81 00 --	<i>High-speed goods as specified in sub-heading Note 1 to this Chapter</i>
8525 82 00 --	<i>Other, radiation-hardened or radiation-tolerant goods as specified in sub-heading Note 2 to this Chapter</i>
8525 83 00 --	<i>Other, night vision goods as specified in sub-heading Note 3 to this Chapter</i>

#### **8525 89 00 -- Other**

#### **SUB-HEADING NOTE :**

1. *Sub-heading 8525 81 covers only high-speed television cameras, digital cameras and video camera recorders having one or more of the following characteristics:— - writing speed exceeding 0.5 mm per microsecond; - time resolution 50 nanoseconds or less; - frame rate exceeding 225,000 frames per second.*
2. *In respect of sub-heading 8525 82, radiation-hardened or radiation-tolerant television cameras, digital cameras and video camera recorders are designed or shielded to enable operation in a high-radiation environment. These cameras are designed to withstand a total radiation dose of at least  $50 \times 10^3$  Gy (silicon) ( $5 \times 10^6$  RAD (silicon)), without operational degradation.*
3. *Sub-heading 8525 83 covers night vision television cameras, digital cameras and video camera recorders which use a photocathode to convert available light to electrons, which can be amplified and converted to yield a visible image. This sub-heading excludes thermal imaging cameras (generally sub-heading 8525 89).*

Customs Tariff Heading 8525 has been amended, as above w.e.f. 01.01.2022, vide Section 104 of Finance Act 2021 in accordance with New (Seventh) edition of HSN - HS-2022 adopted by World Customs Organization. As per lay out of the amended Customs Tariff Heading 8525, Cameras and Video Camera Recorders are still mentioned at Tariff Sub Heading 8525 80. Further under Sub Heading 8525 80, specific category of camera and video camera recorders are classified under Tariff Items 8525 8100, 8525 8200 and 8525 8900 in terms of Sub Heading Note 1 to 3. Since CCTV camera are not specifically mentioned at any of these Tariff Items, the same would be classifiable under residuary Tariff Item 8525 8900. Therefore, correct classification of camera modules, Lens with ICR (if module is without lens), IR LED, POE Board, cables, housings and Heat Sink imported by M/s. KMECPL w.e.f. 01.01.2022 would be 8525 8900. Applicable Basic Customs Duty w. e. f. 01.01.2022, for goods of Tariff Item 8525 8900 is 20%.

**Relevant Legal provisions, in so far as they relate to the facts of the case:-**

**SECTION 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.

**SECTION 28. Recovery of duties not levied or not paid or short-levied or short- paid or erroneously refunded -**

(4) Where any duty has not been levied or not paid or has been short-levied or short-paid or erroneously refunded, or interest payable has not been paid, part-paid or erroneously refunded, by reason of,-

- (a) collusion; or
- (b) any wilful mis-statement; or
- (c) suppression of facts,

by the importer or the exporter or the agent or employee of the importer or exporter, the proper officer shall, within five years from the relevant date, serve notice on the person chargeable with duty or interest which has not been so levied or not paid or which has been so short-levied or short-paid or to whom the refund has erroneously been made, requiring him to show cause why he should not pay the amount specified in the notice.

(5) Where any duty has not been levied or not paid or has been short-levied or short paid or the interest has not been charged or has been part-paid or the duty or interest has been erroneously refunded by reason of collusion or any wilful mis-statement or suppression of facts by the importer or the exporter or the agent or the employee of the importer or the exporter, to whom a notice has been served under sub-section (4) by the proper officer, such person may pay the duty in full or in part, as may be accepted by him, and the interest payable thereon under section 28AA and the penalty equal to fifteen per cent. of the duty specified in the notice or the duty so accepted by that person, within thirty days of the receipt of the notice and inform the proper officer of such payment in writing.

**Explanation 1. -** For the purposes of this section, "relevant date" means,-

- (a) in a case where duty is not levied or not paid or short-levied or short-paid, or interest is not charged, the date on which the proper officer makes an order for the clearance of goods;
- (b) in a case where duty is provisionally assessed under section 18, the date of adjustment of duty after the final assessment thereof or re-assessment, as the case may be;
- (c) in a case where duty or interest has been erroneously refunded, the date of refund;
- (d) in any other case, the date of payment of duty or interest.

**SECTION 28AA. Interest on delayed payment of duty—**

(1) Notwithstanding anything contained in any judgment, decree, order or direction of any court, Appellate Tribunal or any authority or in any other provision of this Act or

the rules made thereunder, the person, who is liable to pay duty in accordance with the provisions of section 28, shall, in addition to such duty, be liable to pay interest, if any, at the rate fixed under sub-section (2), whether such payment is made voluntarily or after determination of the duty under that section.

(2) Interest at such rate not below ten per cent. and not exceeding thirty-six per cent. per annum, as the Central Government may, by notification in the Official Gazette, fix, shall be paid by the person liable to pay duty in terms of section 28 and such interest shall be calculated from the first day of the month succeeding the month in which the duty ought to have been paid or from the date of such erroneous refund, as the case may be, up to the date of payment of such duty.

SECTION 46. Entry of goods on importation -

(4) The importer while presenting a bill of entry shall make and subscribe to a declaration as to the truth of the contents of such bill of entry and shall, in support of such declaration, produce to the proper officer the invoice, if any, and such other documents relating to the imported goods as may be prescribed.

SECTION 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 in respect thereof, or in the case of goods under trans-shipment, with the declaration for trans-shipment referred to in the proviso to sub-section (1) of section 54;

SECTION 112. Penalty for improper importation of goods etc:-

Any person

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

Shall be liable,-

(ii) in the case of dutiable goods, other than prohibited goods, subject to the provisions of Section 114 A, to a penalty not exceeding ten percent 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;]

SECTION 114A. Penalty for short-levy or non-levy of duty in certain cases. -

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

**Provided** that where such duty or interest, as the case may be, 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 the 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 duty or interest, as the case may be, so determined:

**Provided** further that the benefit of reduced penalty under the first proviso shall be available subject to the condition that the amount of penalty so determined has also been paid within the period of thirty days referred to in that proviso :

**Provided** also that where the duty or interest determined to be payable is reduced or increased by the Commissioner (Appeals), the Appellate Tribunal or, as the case may be, the court, then, for the purposes of this section, the duty or interest as reduced or increased, as the case may be, shall be taken into account:

**Provided** also that in case where the duty or interest determined to be payable is increased by the Commissioner (Appeals), the Appellate Tribunal or, as the case may be, the court, then, the benefit of reduced penalty under the first proviso shall be available if the amount of the duty or the interest so increased, along with the interest payable thereon under section 28AA, and twenty-five percent of the consequential increase in penalty have also been paid within thirty days of the communication of the order by which such increase in the duty or interest takes effect :

**Provided** also that where any penalty has been levied under this section, no penalty shall be levied under section 112 or section 114.

**Explanation** . - For the removal of doubts, it is hereby declared that -

(i) the provisions of this section shall also apply to cases in which the order determining the duty or interest sub-section (8) of section 28 relates to notices issued prior to the date (12th May, 2000) on which the Finance Act, 2000 receives the assent of the President;

(ii) any amount paid to the credit of the Central Government prior to the date of communication of the order referred to in the first proviso or the fourth proviso shall be adjusted against the total amount due from such person.

#### SECTION 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 particular, 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.

#### **Demand of Duty**

**7(a).** As discussed in foregoing paras, M/s. KMECPL has been importing various components of CCTV camera in assembled form / semi assembled form / un-assembled form as Camera Module (with or without lens/IR/ICR filter), Lens, IR/ICR filters, POE Board, Housing, Cable POE to Module / cable IR LED to Module and clearing these items through ACC Ahmedabad under CTI 8529 9090 as spare parts of camera. Parts of camera covered under CTI 8529 9090 attract BCD @ 10% whereas Television Camera attract BCD @ 20 % under CTI 8525 8090 (upto 31.12.2021) / 8525 8900 (w. e. f. 01.01.2022). As discussed at Para 5 above, items imported by M/s. KMECPL mentioned Sr. No. 1 to 4 of Table- 2 merit classification under CTI 8525 8090 / 8525 8900 in terms of first part of Rule 2(a) of GRoI, that mentioned at Sr. No. 5 to 8 in terms of second part of Rule 2(a) and that mentioned at Sr. No. 9 of Table-2 in terms of Accessories (Condition) Rules, 1963.

**7(b).** The details of various items imported as spare parts of camera under CTI 8529 9090 by M/s. KMECPL and listed in Annexure A1 to Annexure A9 are aggregated into a consolidated Annexure i.e. Annexure A. Details viz. Item Description, Quantity, Assessable value, amount of duty self-assessed by Importer under CTI 8529 9090 @ 30.98% (10 % Basic Customs Duty levied as per Section 12 of Customs Act 1962 and calculated on the transaction of value of the goods, 10 % Social Welfare Surcharge levied under Section 110 of Finance Act 2018 and calculated on amount of BCD, 18% IGST levied under Section 3 (7) of Customs Tariff Act 1975 read with Section 12 of Customs Act 1962 and calculated on sum of transaction value, amount of BCD and amount of SWS levied), while filing Bill of Entry, duties of customs applicable for goods upon classification under CTI 8525 8090 /8525 89 00 @ 43.96 (20% BCD, 10 % SWS% and 18% IGST) and differential duty recoverable in respect of imported items are appended in the Annexure A.

### Section 28 (4) liable to be invoked for demand of duty

**7(c)(i).** M/s. K. M. Electronic Cables Private Limited, "K. M. House" Nr. C. U. Shah College, Income Tax Circle, Ashram Road Ahmedabad, 380014, IEC No. 0805015680 imported CCTV camera in un-assembled form and in unfinished form and got them cleared through Customs ACC Ahmedabad by mis-stating and mis-declaring them with descriptions such as "(Spares for CCTV) 5mp IP Camera Auto Focus Module", "(Spares for CCTV) Module for Camera With Lens", "(CCTV Camera Spares Parts) Module for Camera Without Lens", "(CCTV Camera Spares Parts) CCTV Camera Lens", "(CCTV Camera Spares Parts) Led Board", "(CCTV Camera Spares Parts) Heatsink", "(CCTV Camera Spares Parts) Front Panel for CCTV Camera housing (Set)", "(Spares Parts) POE Board for IP Camera" / "(CCTV Camera Spare Parts)Cable Cord Small IR Led To Module" etc. As per Wikipedia, **a spare part, spare, service part, repair part, or replacement part, is an interchangeable part that is kept in an inventory and used for the repair or refurbishment of defective equipment/units.** Cambridge Dictionary defines spare part as **a part that can be used to replace another similar part in a car or other machine or piece of equipment.** On going through Invoice YC2023110202A dated 26.12.2023 pertaining to Bill of Entry No. 9512314 dated 03.01.2024, it is noticed that invoice describes the modules as "IP Camera Module without lens & ICR", whereas same item in Bill of Entry is described as "(CCTV camera spare parts) IP camera module without lens & ICR". The cropped images of description of goods in Invoice and corresponding Bill of Entry are appended below.

#### Items as described in Invoice

No.	SUPPLIER MODEL NO.	DESCRIPTION OF GOODS
1	IVG-G3H	IP CAMERA MODULE WITHOUT LENS & ICR MODEL IVG-G3H
2	IVG-G6S	6MP IP CAMERA MODULE WITHOUT LENS & ICR MODEL IVG-G6S
3	SPARE PARTS	► CABLE CORD SMALL IR LED TO MODULE
4	SPARE PARTS	HEATSINK 11*11*5 MM
		<b>TOTAL</b>

#### Items as described in Bill of Entry

2.CTH	3.DESCRIPTION
85299090	(CCTV CAMERA SPARE PARTS) IP CAMERA MODULE WITHOUT LENS & ICR MODEL IVG-G3H
85299090	(CCTV CAMERA SPARE PARTS)6MP IP CAMERA MODULE WITHOUT LENS & ICR MODEL IVG-G6S
85299090	(CCTV CAMERA SPARE PARTS)CABLE CORD SMALL IR LED TO MODULE
85299090	(CCTV CAMERA SPARE PARTS)HEATSINK 11*11*5 MM

It can be noticed that words "CCTV camera spare parts" were not used in the Invoice to describe the items. This practice of pre-fixing description of goods in Bills of Entry with words "CCTV camera spare parts" has been noticed during entire period i.e. 2019 to 2024. Sample Invoices wherein such words "CCTV camera spare parts" were not mentioned in Invoices but added in Bills of Entry were attached

with the Notice. However, these words had been prefixed to description in the Bill of Entry. Therefore, it appeared that M/s. KMECPL mis-declared the unfinished / incomplete cameras or cameras imported in un-assembled form to portray them for use as Spare Parts in repairing cameras with intention to pay BCD at lower rates. It is also not that the importer is not aware of the actual classification of the unfinished camera. During earlier period same camera modules / PCB Board had been imported by M/s. KMECPL under CTH 8525 i.e. as camera. The details of such imports are under.

**Table-3**

<b>Sr No.</b>	<b>BE No</b>	<b>BE Date</b>	<b>CTH</b>	<b>Item Description</b>	<b>Qty</b>	<b>Unit</b>
1	5290765	11/25/2011	85258090	SECURUS 27X ZOOM CAMERA (MODULE) (MODEL NO. SF-C278S)	100	PCS
2	6274620	3/15/2012	85258090	MODULE OF ZOOM CAMERA	2	PCS
3	9257842	2/8/2013	85258090	ZOOM CAMERA MODULE 30 X 650 TVL	10	PCS
4	9257842	2/8/2013	85258090	ZOOM CAMERA MODULE 30 X 700 TVL	10	PCS
5	9686944	3/26/2013	85258090	SECURUS 1/3 CCD ZOOM MODULE MODEL NO SF-C291B-ICR	1	PCS
6	9698375	6/25/2015	85258090	1/3 AHD MODULE WITH IR CUT LENS LED &CABLE	4	PCS
7	9073267	1/19/2013	85258090	PCB BOARD CAMERA	6	PCS
8	7582929	12/3/2014	85258090	1/3 PCB BOARD CAMERA AHD	12	PCS
9	9308802	5/21/2015	85258090	1/3 PCB BOARD WITHOUT LENS	244	PCS
10	9948462	7/20/2015	85258090	IP CAMERA MODULE PCB BOARD	20	PCS
11	9948462	7/20/2015	85258090	1/3 PCB BOARD WITH OUT LENS	285	PCS
12	2013215	7/24/2015	85258090	1/3 PCB BOARD WITH LENS	258	PCS
13	2013215	7/24/2015	85258090	1/3 PCB BOARD WITHOUT LENS	372	PCS
14	2708194	9/24/2015	85258090	1/3 PCB BOARD WITHOUT LENS	100	PCS
15	3483375	12/5/2015	85258090	1/3 PCB BOARD CAMERA WITH ICR & LENS	3	PCS
16	3514197	12/8/2015	85258090	SECURUS 1/3 PCB BOARD CAMERA WITH ICR MODEL NO.AHG35-32	2	PCS

**7(c)(ii).** It can be seen that words “CCTV CAMERA SPARE PARTS” / “Spare Parts” used in recent imports (listed in Annexure A) had not been used in imports made prior to 2016 (mentioned in Table-3 above). The “unfinished camera” imported as camera module during 2011 to 2015 wherein words “CCTV CAMERA SPARE PARTS” / “Spare Parts” were not used in the description, had been cleared under CTH 8525 as camera. The same goods i.e. “unfinished camera” imported as camera module during 2019 to 2024, wherein words “CCTV CAMERA SPARE PARTS” / “Spare Parts” have been used in the description, have been self assessed by the Importer and got cleared under CTH 8529 as camera parts. Shri Khushiram M. Ratanchandani stated in his statement that he was Managing Director of M/s. K. M. Electronic Cables Private Limited since its incorporation in 2006; that he was overall in-charge of the company and looked after all work related to purchase and customs clearance. It means he supervised the work of purchase as well as of customs clearance and all throughout the period, since 2006. Therefore, it appeared

that the importer had intentionally mis-stated the description of goods in Bill of Entry and in Invoices and other documents by employing words “CCTV CAMERA SPARE PARTS” / “Spare Parts” so as to not reveal actual nature of goods i.e. unfinished camera before the Customs Department.

**7(c)(iii).** The facts and evidences discussed in detail in above para, reveals that the Importer was well aware of the correct description and use of the “CCTV CAMERA SPARE PARTS” imported by them. “CCTV CAMERA SPARE PARTS” imported by M/s. K. M. Electronic Cables Private Limited are specifically covered under Customs Tariff Heading No.85258090/85258900. Items falling under Customs Tariff Heading No.85258090 attract BCD @20% (upto 31.12.2021) and 85258900 (w.e.f.01.01.2022). However, with intent to evade payment of applicable duties of Customs, the importer wrongly classified the same under Customs Tariff Heading No.85299090 in the Bills of Entry where BCD @ 10% was chargeable. M/s. K. M. Electronic Cables Private Limited had declared the goods as “CCTV CAMERA SPARE PARTS” to misguide the Custom Officers and to evade Customs Duty.

**7(c)(iv)** M/s. K. M. Electronic Cables Private Limited has, with deliberate intent, wrongly classified the imported “CCTV CAMERA SPARE PARTS” in the Bills of Entry filed before the Customs authorities and thereby, short-paid the Customs duties. Further, they had never declared before the Customs authorities that the goods “CCTV CAMERA SPARE PARTS” imported by them were monitoring camera without a casing, though this fact was very much known to them right from the stage of placing order to the overseas supplier. This act clearly shows mis-declaration and suppression of fact on their part.

**7(c)(v)** Thus, the facts and evidences discussed in Para 7(c)(i) to 7(c)(iv) clearly shows that the importer resorted to willful mis-statement and mis-classification with an intent to evade payment of the applicable Customs Duty on “CCTV CAMERA SPARE PARTS” imported by them. Hence, Section 28(4) of the Customs Act, 1962, invoking extended period for demand of Duty, is applicable in the instant case. The differential Customs Duty aggregating to **Rs. 3,30,90,498/- (Rupees Three Crores Thirty Lakhs Ninety Thousand Four Hundred Ninety Eight only)** on import of “CCTV CAMERA SPARE PARTS” as detailed in Annexure-A to the Show Cause Notice imported by M/s. K. M. Electronic Cables Private Limited not paid/short paid by M/s. K. M. Electronic Cables Private Limited, was liable to be demanded and recovered from them as per provisions of Section 28 (4) of the Customs Act, 1962 along with applicable interest under Section 28 AA of the Customs Act, 1962.

#### **Confiscation and Penalty:**

**8(a).** As discussed at above Para, the goods as detailed in Annexure A had been imported by M/s. KMECPL by mis-declaring the description of goods. The goods were actually camera in incomplete / un-finished form or in un-assembled form but the same had been imported as parts of camera by describing them as Spare Parts / CCTV CAMERA SPARE PARTS. Therefore, goods, having assessable value **Rs. 25,49,34,496/-** i.e. **camera along with accessories** imported by M/s. KMECPL in incomplete / un-finished form or in un-assembled form, as detailed in Annexure A, were liable to confiscation as per provisions of Section 111 (m) of Customs Act 1962. The consignment of these goods imported and sought clearance under Bill of Entry No. 9512314 dated 03.01.2024, consequent to examination and upon receiving report of Chartered Engineer were placed under seizure under provisions of Section 110 of Customs Act 1962 vide seizure memo dated 09.02.2024. Subsequently, these goods were allowed to be released provisionally by Principal Commissioner of Customs, Ahmedabad on execution of Bond for value **Rs.1,36,00,000/-** of goods and **Bank Guarantee No. 050542BG0000224 dated 16.02.2024** for **Rs.13,50,000/-** (towards differential duty) and another **Bank**

**Guarantee No. 050542BG0000225 dated 16.02.2024 for Rs. 15,00,000/- (as security deposit) in terms of provisions of Section 110 A of Customs Act 1962.**

**8(b).** As discussed at Para 7 above, camera imported in un-finished / incomplete form had been cleared from Customs by mis-declaring their description as Spare Parts / CCTV CAMERA SPARE PARTS. Provisions of Section 46 (4) of Customs Act 1962 require Importer to declare correct details of goods in the Bill of Entry. However, M/s. KMECPL used the invoices in clearance of the goods wherein description was mis-declared. It is not the case of one or two consignments. The conscious practice of mis-declaring description of goods in Bills of Entry and Invoices and other import documents has been continued by Importer for last many years. These actions and omission on part of M/s. KMECPL have rendered goods having assessable value **Rs. 25,49,34,496/-**, imported as per details available in Annexure (A) liable for confiscation and themselves liable to penalty under Section 112 (a)(ii) of Customs Act 1962.

**8(c).** Shri Khushiram Mahavirmal Ratanchandani is the Managing Director of M/s. KMECPL since inception of the company in 2006. He is overall in charge of the company and looks work related to purchases, placing orders and customs clearance of imported goods. So all import related work is done and directly supervised by him. On being asked as why words "CCTV Camera Spare Part / Spare Part" used for items which are not used as spare parts, he stated that they used such words to indicate parts for use in manufacture of camera. On being shown the definition of spare parts he agreed that spare part is an interchangeable part that is kept in an inventory and used for the repair or refurbishment of defective equipment/units. He also could not give any satisfactory reply when asked as to why camera modules during 2011 to 2016 were classified under CTH 8525 and words "spare parts" not used at that time. The acts of commission and omission on his part i.e. using words "spare parts" with camera modules / camera imported in un-assembled form, mis-classifying goods under CTH 8529 instead of 8525 for paying BCD @ 10% instead of 20%, have rendered the goods valued at **Rs. 25,49,34,496/-**, imported as per details available in Annexure (A) liable for confiscation under Section 111 (m) of the Customs Act, 1962 and consequently, the said importer is liable to penalty under Section 112 (a)(ii) & 114AA of Customs Act 1962.

**8(d).** The aforesaid acts of suppression of facts and willful mis-statement by M/s. K. M. Electronic Cables Private Limited had led to evasion of Customs Duty of **Rs. 3,30,90,498/- (Rupees Three Crores Thirty Lakhs Ninety Thousand Four Hundred Ninety Eight only)** thereby rendering themselves liable for penalty under Section 114A of the Customs Act, 1962, in as much as the Customs Duty amounting to **Rs.3,30,90,498/-** was evaded by reason of wilful mis-statement and suppression of facts with a malafide intention. All the aforesaid acts of omission and commission on the part of M/s. K. M. Electronic Cables Private Limited rendered the subject imported goods totally valued at **Rs.25,49,34,496/-** (as detailed in Annexure-A to the SCN) liable for confiscation under Section 111(m) of the Customs Act, 1962. M/s. K. M. Electronic Cables Private Limited are therefore liable to penalty under Sections 112(a)(ii) of the Customs Act, 1962. In the present case, it was also evident that the actual facts were only known to the importer about the product and its actual classification. However, it appeared that M/s. K. M. Electronic Cables Private Limited had knowingly and intentionally made, signed or used the declaration, statements and/or documents and presented the same to the Customs Authorities, which were incorrect in as much as they were not representing the true, correct and actual classification of the imported goods. By virtue of their act of furnishing false material particulars like clarifications, they appear to have rendered themselves liable to penalty under Section 114AA of the Customs Act, 1962.

**8(e)(i).** The Bills of Entry for clearance of the goods imported by "KMECPL" had been filed by Customs Broker M/s. S M Enterprise (CB Code ABKpj5436ECH001). As discussed at Para 7(c)(i) above, it has been noticed that import items which are described as "Camera Module" in Invoices have been mis-declared as spare parts of camera by pre-fixing the description with words "CCTV camera spare parts". As such import goods did not correspond to the description mentioned in the Bill of Entry. A Customs Broker is required to file Bill of Entry and declared details of goods therein on the basis of import documents. M/s. S M Enterprise has been undertaking clearance of import goods on behalf of M/s. KMECPL since 2011. As discussed at Para 7(c)(ii), same items i.e. camera modules were being classified under CTH 8525 prior to year 2016. Therefore, Customs Broker M/s. S M Enterprise was well aware when the classification of camera modules was changed from CTH 8525 to CTH 8529 by pre-fixing the description of items with words "CCTV camera spare parts". Thus, despite knowing the correct classification of imported goods, M/s. S M Enterprise mis-declared the description of the imported "CCTV camera spare parts" and mis-classified the said goods under Customs Tariff Heading No.8529 in the Bills of Entry where BCD was chargeable at lesser rate. A CHA is duty bound to exercise due diligence to ascertain the correctness of any information with reference to the work related to clearance of cargo from Customs. Instead of doing so they abetted in the act of mis-declaring and mis-classifying the impugned goods. Further they have also failed to advise their client M/s. K. M. Electronic Cables Private Limited to comply with the provisions of the Act and they also failed to bring the matter of noncompliance of mis-declaration and mis-classification of the import goods by the importer to the notice of the Deputy Commissioner of Customs or Assistant Commissioner of Custom.

**8(e)(ii)** Regulation 10 (d) of Customs Brokers Licensing Regulations, 2018 requires a Customs Broker to advise his client to comply with the provisions of the Act, other allied Acts and the rules and regulations thereof, and to bring to the notice of Department any case of non-compliance by client. Further as per Regulation 10(e), Customs Brokers are to exercise due diligence to ascertain the correctness of the information which he imparts to a client with reference to any work related to clearance of cargo or baggage. With respect of imports of camera modules, it has come to notice that words "CCTV camera spare parts" which were not there in invoices have been added to description in Bills of Entry. Therefore, Customs Broker has failed to exercise due diligence in imparting correct information in Bill of Entry filed for clearance of camera modules and also failed to bring, the contravention i.e. mis-declaration of goods and mis-classification thereof, to the notice of Department and thereby appeared to rendered themselves liable for penalty under Regulation 18 (1) of Customs Brokers Licensing Regulations, 2018.

The above discussed acts of commission and omission on part of Customs Broker M/s. S M Enterprise had rendered the CCTV camera in un-finished / incomplete / un-assembled form valued at **Rs. 25,49,34,496/-** (details as per Annexure A) liable to confiscation as per the provisions of Section 111(m) of the Customs Act, 1962 and M/s S M Enterprise had rendered themselves liable to penalty under Section 112(a)(ii) of the Customs Act, 1962. They had also rendered themselves liable for action under Customs Brokers Licencing Regulations, 2018.

**9.** In view of the above, Show Cause Notice No. VIII/10-08/Pr. Commr./O&A/2024-25 dated 18.07.2024 was issued to M/s. K. M. Electronic Cables Private Limited (IEC-0805015680), "K. M. House" Nr. C. U. Shah College, Income Tax Circle, Ashram Road Ahmedabad, 380014 calling upon to show cause in writing to the Principal Commissioner of Customs, Ahmedabad within 30 days of the receipt of Notice as to why:

(a) The classification of the "CCTV camera spare parts" imported under Bills of Entry as detailed in Annexure-A attached to the Show Cause Notice under Customs

Tariff Item No. 85299090 should not be rejected and the goods be correctly classified under Customs Tariff Item No. 85258090/85258900 as 'CCTV Camera in unfinished / incomplete form along with accessories' and the Bills of Entry should not be re-assessed accordingly;

- (b) Differential Customs Duty amounting to **Rs. 3,30,90,498/- (Rupees Three Crores, Thirty Lakh, Ninety Thousand, Four Hundred and Ninety Eight only)** as detailed in **Annexures A-** to the SCN, leviable on 'CCTV Camera in unfinished / incomplete form along with accessories' imported by declaring as "Spare Parts" / "CCTV Camera Spare Parts" should not be demanded and recovered from them under Section 28(4) of the Customs Act, 1962;
- (c) The goods having assessable value of **Rs. 25,49,34,496/-, (Rupees Twenty Five Crore, Forty Nine Lakh, Thirty Four Thousand, Four Hundred and Ninety Six only)** imported by wrong claiming as "Spare Parts" / "CCTV Camera Spare Parts" as detailed in Annexure-A to the SCN should not be held liable to confiscation under Section 111(m) of the Customs Act, 1962;
- (d) As the goods covered under Bill of Entry No. 9512314 dated 03.01.2024 placed under seizure were released provisionally on execution of a Bond for **Rs. 1,03,34,752/-**, Bank Guarantee No. 050542BG0000224 dated 16.02.2024 for Rs. 13,50,000/- towards differential duty and Bank Guarantee No. 050542BG0000225 dated 16.02.2024 for **Rs 15,00,000/- towards security deposit**, why the Bond should not be enforced and the Bank Guarantee towards differential duty and security deposit furnished should not be appropriated towards the value of the goods;
- (e) Penalty should not be imposed on them under Section 114A of Customs Act, 1962;
- (f) Penalty should not be imposed on them under Section 112(a) & (b) of the Customs Act, 1962;
- (g) Penalty should not be imposed on them under Section 114AA of the Customs Act, 1962

**9.1** Show Cause Notice No. VIII/10-08/Pr. Commr./O&A/2024-25 dated 18.07.2024 was issued to Shri Khushiram Mahavirmal Ratanchandani, Managing Director of M/s. K. M. Electronic Cables Private Limited, "K. M. House" Nr. C. U. Shah College, Income Tax Circle, Ashram Road Ahmedabad – 380014 calling upon to show cause in writing to the Principal Commissioner of Customs, Ahmedabad within 30 days of the receipt of Notice as to why:-

- (a) Penalty should not be imposed on him under Section 112 (a) (ii) of Customs Act 1962 should not be imposed on him;
- (b) Penalty should not be imposed on him under Section 114AA of Customs Act 1962 should not be imposed on him

**9.2** Show Cause Notice No. VIII/10-08/Pr. Commr./O&A/2024-25 dated 18.07.2024 was issued to M/s. S M Enterprise (CB Code ABKPJ5436ECH001), 2, 4, Sunrise Avenue, Commerce Six Road, Shahakar Chemist, Navrangpura, Ahmedabad, Gujarat, 380009 calling upon to show cause in writing to the Principal Commissioner of Customs, Ahmedabad within 30 days of the receipt of Notice as to why:-

- (a) Penalty should not be imposed on them under Section 112 (a) (ii) of Customs Act 1962.

(b) Penalty should not be imposed on them under Regulation 10(d) of Customs Brokers Licencing Regulations, 2018.

**DEFENSE SUBMISSIONS:**

**10.** The importer vide letter dated 03.02.2025 &13.06.2025 submitted their reply to the Show Cause Notice wherein they interalia stated as under:

- At the very outset, the noticee deny all the averments and allegations made vide the SCN and, in particular, that the noticee, with intent to evade payment of applicable duties of Customs, in the Bills of Entry, wrongly classified the goods under Customs Tariff Heading No.85299090 where BCD @ 10% was chargeable to misguide the Custom Officers and to evade Customs Duty;
- That they referred the matter to independent Chartered Engineer, Govt. Approved Valuer Competent Person, Arbitrator, Shri S. D. Deshpande (ICE-I), who, after a detailed technical analysis and real-life demonstration of the goods, concluded in his report dated 29.11.2024 that the inspected goods viz. IP items modules without lens (G3H & G6S), along with heat sink and small cable are merely components of a CCTV camera. They cannot be classified as a complete CCTV camera as they lack the essential function of capturing or processing images. Therefore, Rule 2(a) of the General Rules for Interpretation (GRoI) does not apply;
- That another Chartered Engineer, Govt. Registered Valuer (Cat-VII), Shri Dinesh P. Jani (ICE-II), also reviewed the matter with reference to the subject Bill of Entry No. 9512314 dated 03.01.2024. On the basis of details provided, study of flow charts, uses/application of various indigenous parts, he, in his report dated 09.12.2024, concluded that the imported modules without lenses should not be enough to manufacture a complete set of CCTV Assembly and imported parts should not be classified as CCTV Camera;
- That both ICE-I and ICE-II confirmed that the goods, as presented, cannot capture or process images and therefore do not possess the essential character of a complete CCTV camera as envisaged in Rule 2(a) of the GRoI. They relied on the Supreme Court ruling in Hindustan Motors Ltd. [2005 (181) E.L.T. A130 (S.C.)];
- That it is a settled principle that goods must be assessed in the form and manner in which they are imported and presented for assessment/ clearance at the time of import. By relying upon the decision of Hon'ble Supreme Court in case of Sony India [2008 (231) E.L.T. 385 (S.C.)], they submitted that the classification must be based on the imported form and not their intended assembly. Parts of CCTV Camera, being the said goods, after assembly thereof are not having all the essential ingredients to work as a CCTV Camera. Therefore, it is reasonably, rationally, justifiably and legally be concluded that the said goods can not be classified as a complete CCTV Camera etc;
- That in Commissioner v. Sony India Ltd., imports over 22 months in multiple consignments were held not to constitute TV units for customs purposes. Similarly, the exercise to figuratively establish co-relation between the goods imported vide Bills of Entry during the period from 2019 to 2024 and vide Bills of Entry during the period prior to 2019 and alleging such co-relation as an attempt to import the CCTV Camera, in unassembled condition, is baseless and futile attempt to allege the intent of evasion;
- That if the contention with regard to Rule 2(a) of General Rule of Interpretation, as advanced by the department, is hypothetically accepted, it would mean that no person other than a manufacturer of CCTV Camera can

import the essential components, assemblies of CCTV Camera, because; supposedly, if the importer happens to be the trader of the goods under reference, he would unjustly and unfairly be hit by the provision of the said Rule. This is unpersuasive, cannot be accepted and legally can not stand;

- That the noticee is a manufacturer of CCTV camera, using the goods and indigenously procured & sourced parts of housing, which they get manufactured on contract basis. Manufacture of CCTV camera is done strictly following SOP of all products. In support, the following are relevant:
  - 1) Employees' State Insurance Corporation, Ahmedabad's letter dated 26.05.2015, registering the noticee and allotting the code as 37001062110001099 as factory.
  - 2) A letter issued by The National Small Industries Corporation Ltd., Ahmedabad, certifying the noticee as supplier vide Certificate No. NSIC/GP/AHM/2019/0037421 dated 01.07.2015.
  - 3) A Registration Certificate No. UDYAM-GJ-01-22837 dated 26.10.2020, issued, mentioning the activity of the noticee as "MANUFACTURING", by Ministry of Micro, Small and Medium Enterprise, Government of India.
  - 4) A License to work a Factory bearing No.4418 dated 01.04.2021, issued to the noticee by Directorate Industrial Safety and Health, Gujarat State, Ahmedabad.
  - 5) Bureau of Indian Standard has issued a license No.72004650, under BIS reference No. Registration/CRS/2021-1719-72004650, on 26.04.02021, mentioning Product Category as CCTV Camera/CCTV Recorders, Product Name as "CCTV Camera", Model Numbers, Brand of the Product and the Factory address, in the name and favour of the noticee.
  - 6) The noticee has obtained Government E Marketplace (GeM) Registration through the recommendation of Quality Council of India has issued a Vendor Assessment Report on 16.10.2023 issued to the Noticee. In the INDEX of the said Vendor Assessment Report, the Production Capacity of the Vendor, Video Assessment and Photographic Evidences are enclosed, wherein Process Capability. Production Capacity are detailed and the Photos of Assembly Process are given. GeM Seller Id is 308F180000108012. This Registration qualifies the noticee as OEM supplier. Relevant papers issued Gem & Quality Council of India are attached.
  - 7) A Gazette Notification dated 06.03.2024, issued by IPHW Division of Ministry of Electronics and Information Technology, wherein in the Table under Para 4.3, Main Inputs in BOM/stages for manufacture of CCTV Camera (IP) are mentioned and at Sr. No. in the said Table, Main PCB with Capture and/or Process Card is mentioned as one of the Inputs of CCTV Camera.
  - 8) A GST Registration Certificate, in the Form GST REG-06, issued on 31.07.2024, showing Additional Places of Businesses(s) in the State as follows: Plot No-B/20, GIDC ELECTRONICS ESTATE, SECTOR-25, Gandhinagar, Gujarat 382024. This proves that the factory of the noticee is located in the Gujarat Industrial Development Corporation (G.I.D.C.). Thus, it is established that the noticee is a manufacturer of the CCTV Camera.

In addition to the above documents above, at Sr. No. 1) to 8), the following are the documents being pertinent to establish that the noticee is CCTV Camera manufacturer.

- a) HD Dome camera Production Index as well as HD Bullet camera Production Index. These establish that there are various parts needed and lengthy process is required for the manufacture of CCTV Camera.

These documents are with pictures of the parts for the manufacture of CCTV Camera.

- b) In house Design as required for the manufacture of CTV Camera.
- c) A list of Vendors and Products sourced from domestic companies alongwith sample Work Agreement Contract with the Vendors, which proves that there the parts essential to manufacture CCTV Camera, which are being sourced from the domestic companies by the Company.
- d) A list of 09 machines installed in the factory premises of the noticee which are being used for the manufacture CCTV Camera. This does make it clear beyond doubt that the noticee is manufacturing CCTV Camera.
- That the department has alleged that the noticee has mis-declared the goods as Parts of CCTV Camera (under Customs Tariff Item 85299090) which allegedly were CCTV Camera (under Customs Tariff Item 85258090 or 85258900) and thus has evaded Customs duty to the tune of 12.98%. The working of duty alleged to be evaded is in the Table as under:  
Assuming assessable value of Rs. 100

Description	Duty on parts of CCTV Camera-Customs Tariff 85299090 (in%)	Duty on CCTV Camera-Customs Tariff Item 85258090 or 85258900 (In %)	Differential Duty (IN %)
BCD	10.00	20.00	10.00
SWS	1.00	2.00	1.00
IGST	19.98	21.96	1.98
Total	30.98	43.96	12.98

The Input Tax Credit is admissible in respect of IGST and therefore, the differential duty alleged to be evaded, is 11% but not 12.98%; that since IGST is creditable, the applicable rate does not impact the revenue, making the situation revenue-neutral; that even assuming an 11% duty evasion, the commercial reality must be considered; that they earned a Net Profit Margin ranging from 5.87% to 8.82% from the year 2019 to 2024; that it is evident that the imported goods underwent manufacturing, involving investment in factory premises, machinery, manpower, capital, and statutory compliances; that all these efforts were for manufacturing CCTV Camera, if the imported items were already complete CCTV units, as alleged, such extensive investment would not have been done by the noticee; that no prudent businessman would undertake such an uneconomical approach; they have enclosed the Chartered Accountant's certificate certifying the profit margins;

- That exemption notifications must be interpreted strictly, based on their plain language, without adding or subtracting provisions. Nothing can be added or inserted in the notification so as to either extend or restrict its scope. The noticee, in this regard, placed reliance on the decisions of NIPPON PRECISION BEARING IND. Versus COLLECTOR OF CUSTOMS, BOMBAY [1997 (90) E.LT. 57 (Tribunal)], Samtel India Ltd. v. Collector of Customs-1997 (95) E.LT. 115 (1), Set Telecommunications Pvt. Ltd. v. Collector of Customs-1997 (19) RLT 629, Khoday Brewing & Distilling Inds. Ltd. v. Collector of Customs-1997 (90) E.LT. 335 (1), Nippon Precision Bearing Inds. v. Collector of Customs-1997 (90) E.LT. 57 (1), Winter Misra Diamond Tools Ltd. v. Commissioner of Central Excise, Jaipur-1990 (83) EL 670 (1), GREEN BRILLIANCE ENERGY P. LTD. Versus COMMR. OF C. EX. & S.T. VADODARA-I [2015 (325) E.L.T. 351 (Tri. -LB)];
- That under Section 28(1)(a) of the Customs Act, 1962 (amended via Finance Act, 2016 effective 14.08.2016), the extended period of two years applies only when there is a willful mis-declaration or suppression with intent to evade duty; that the SCN lacks any substantive evidence to establish such intent;

that they had disclosed all material facts, including catalogues and technical literature, during importation and therefore there is no suppression or mis-declaration; that as the SCN was issued on 18.07.2024, demand of Rs. 1,39,41,487/- for the period prior to 19.07.2022 is barred by limitation. In support of their contention, they relied upon the judgement in case of COASTAL ENERGY PVT. LTD. Versus COMM.R. OF CUS., C. EX. & S.T. GUNTUR [2014 (310) E.L.T. 97 (Tri. - Bang.)], SIRTHAI SUPERWARE INDIA LTD. Versus COMM.R. OF CUSTOMS, NAVA SHEVA-III [2020 (371) E.L.T. 324 (Tri. Mumbai), KOMAL TRADING COMPANY Versus COMMISSIONER OF CUS. (IMPORT), MUMBAI [2014 (301) E.L.T. 506 (Tri. - Mumbai)];

- That when the goods are not available for confiscation, no redemption can be imposed and placed reliance on the judgement in case of ELDER PHARMACEUTICALS Versus COMM.R. OF CUS. (IMPORT) JNCH, NAVA SHEVA [2019 (370) E.L.T. 1380 (Tri. - Mumbai)], RATNAGIRI IMPEX PVT. LTD. Versus COMMISSIONER OF CUSTOMS, BANGALORE [2019 (369) E.L.T. 1132 (Tri. - Bang.)], HI-TECH ENGINEERS Versus COMMISSIONER OF CUS. (ACCA IMPORT), MUMBAI [2019 (365) E.L.T. 572 (Tri. - Mumbai)], N.K. CHAUDHARI Versus COMMISSIONER OF CUSTOMS (EP), MUMBAI [2018 (363) E.L.T. 908 (Tri. - Mumbai)];
- That no penalty is imposable in case of classification disputes. They placed reliance on the judgement in case of KRAP CHEM P. LTD. Versus COMM.R. OF C. EX. & SERVICE TAX, DAMAN, RAJKOT [2015 (325) E.L.T. 339 (Tri. - LB)], COMMISSIONER OF CENTRAL EXCISE, PUNE-1 Versus JCB INDIA LTD. [2014 (312) E.L.T. 593 (Tri. - Mumbai)] as well as some other case laws;
- That they do not agree with the report of Chartered Engineer on the grounds that the wording of report are nothing but copy and paste from some websites; that Page 4&8 of the report described what is a camera and straight way taken from one webpage [www.thespreecrafts.com](http://www.thespreecrafts.com); that page 9 is reproduction from webpage [www.supertekmodule.com](http://www.supertekmodule.com); that on this webpage under “Camera Module Structure”, Lens is the first item whereas in the report the word removed/deleted the word “Lens” and added one line “In this consignment lens is not imported”; that from the said webpage one can see that camera modules are different goods and PCB is one of the parts of camera module; that the products imported and described by them as “Camera module” are in fact populated PCBs and are neither a light sealed container or a box and therefore cannot be used as camera nor can they capture an image; that at page 4 he stated the imported modules are mainly composed of Lens, Image Sensor, VCM Motor/base, IR Filter, Circuit Board and other components; that from the report it appears that he has given general statement and not about the specific goods imported by them;
- That they want cross examination of Shri Bhaskar G. Bhatt and relied upon the judgements in case of M/s Flevel Internation Vs Commissioner of Central Excise (2016(232)ELT 416); Sumit Arora Vs Commissioner of Customs, Ludhiana (2024(387)ELT 452); M/s Ocean Marketing Vs Commissioner of E. Ex. & S.T., Jaipur (2017(348)ELT269);
- That they were not importing all parts in a single consignment; as per the need of their manufacturing plan, they build the inventory of parts and component required for distinct types of CCTV Camera; that they have full fledged factory in GIDC Electronic Estate, Gandhinagar and that for last five years their domestic purchase is more than 30% of total purchase; that domestic purchase include various parts like housing, enclosures, cable cord, EPE Foam, Junction Box, studs, all type of glue, screw, nutt bolts, corrugated boxes etc without which it is not possible to manufacture;

- That it is a settled principle of law that specific entry overrides general entry; that all kinds of cables are classifiable under CTH 8544; that all types of Lenses are classifiable under CTH 9002; that Printed Circuits (PCBs) and POE Boards are classifiable under CTH 8517 or 8534 depending upon its nature of function; that housing made of different material (majority of plastic) are classifiable as articles of that specific material (in case of plastic under CTH 39) or as a specific part of the camera under CTH 8529; that considering Rule 3(a) of GRoI, the parts of the camera are also required to be classified as specific goods under their respective chapters;
- That it is surprising to see the reference of the Accessories (Condition) Rules, 1963 in the notice to justify the classification of Heat Sink under CTH 8525; that these Rules are conditional and are for assessment of duty; that in the present case, Heat Sinks are not supplied compulsorily and separate prices are charged in the invoice; that Heat sink is common part used in many of goods like computers, mobiles, electronics devices and therefore if it is a general article of metal it is required to be classified under CTH 76 and if it is considered it as specially designed to be fitted with camera only, then it is required to be classified as part of the camera under CTH 8529;
- That in view of the above, it is earnest and humblest request to drop the proceedings initiated under the present Show Cause Notice.

**10.1.** M/s S. M. Enterprise vide letter dated 03.02.2025 submitted their reply to the Show Cause Notice wherein they interalia stated as under:

- At the very outset, the noticee deny all the averments and allegations made vide the SCN and, in particular, that the noticee abetted in the act of mis-declaring and mis-classifying the description of the imported "CCTV Camera parts" and failed to advise their client to comply with the provision of the Act and failed to bring the matter of non-compliance of mis-declaration and mis-classification of the import goods by the importer to the notice of the Department;
- M/s S. M. Enterprise has raised similar contention as raised by the importer in their defence as mentioned in Para 10 above. Therefore, for the sake of duplicity, the same is not repeated again. Apart from the above, M/s S. M. Enterprise contended that no penalty imposable for alleged violation of obligation under Regulation 10(D) and placed reliance on the decision of MANJUNATHA SHIPPING PVT. LTD. Versus COMMR. OF CUSTOMS, BANGALORE [2019 (369) E.L.T. 1010 (Tri. - Bang.)], HLPL GLOBAL LOGISTICS PVT. LTD. Versus COMMR. OF CUS. (GEN), NEW DELHI [2018 (364) E.L.T. 427 (Tri. - Del.)], J.M. BAXI & CO. Versus COMMISSIONER OF CUSTOMS, KANDLA [2016 (337) E.L.T. 268 (Tri. - Ahmd.)] as well as some other case laws.

**10.2.** Shri Khushiram M. Ratanchandani, Managing Director of M/s K. M. Electronic Cables Private Limited vide letter dated 01.02.2025 submitted his reply to the Show Cause Notice wherein he interalia stated as under:

- At the very outset, the noticee deny all the averments and allegations made vide the SCN and, in particular, that he supervised the work of purchase as well as of customs clearance and thus the company intentionally wrongly classified the goods under Customs Tariff Heading No. 85299090 to misguide the Custom Officers to evade Customs Duty;

- Shri Khushiram M. Ratanchandani has raised similar contention as raised by the importer in their defence as mentioned in Para 10 above. Therefore, for the sake of duplicity, the same is not repeated again.

#### **PERSONAL HEARING:**

**11.** Personal hearing was held on 03.06.2025. Shri K. J. Kinariwala, Consultant and Shri Daksham K. Ratanchandani, Technical Director of M/s K. M. Electronic Cables Private Limited, appeared on behalf of all the noticees, wherein Shri K. J. Kinariwala reiterated the contents of their written submission dated 01/03.02.2025 and sought 10 days time to file additional submission. They vide letter dated 13.06.2025 submitted their additional reply.

#### **DISCUSSION AND FINDINGS:**

**12.** I have carefully gone through the relevant records, the written submission dated 01/03.02.2025 & 13.06.2025 made by the Noticees as well as compilation of statutory provisions and records of personal hearing dated 03.06.2025.

**13.** From the facts of the case and submissions of the Noticees, I find issues for consideration before me in the present SCN are as under:-

- (i) Whether classification of the goods i.e. “CCTV camera spare parts” imported under Customs Tariff Item No. 85299090 vide Bills of Entry as detailed in Annexure-A to the SCN should be rejected and correctly classified under Customs Tariff Item No. 85258090/ 85258900 as “CCTV Camera in unfinished/ incomplete form alongwith accessories” and the Bills of Entry should be re-assessed accordingly?
- (ii) Whether the goods having assessable value of **Rs. 25,49,34,496/-, (Rupees Twenty Five Crore, Forty Nine Lakh, Thirty Four Thousand, Four Hundred and Ninety Six only)** imported by wrongly claiming as “Spare Parts” / “CCTV Camera Spare Parts” as detailed in Annexure-A to the Show Cause Notice are liable to confiscation?
- (iii) Whether the differential Customs Duty of **Rs. 3,30,90,498/- (Rupees Three Crore, Thirty Lakh, Ninety Thousand, Four Hundred and Ninety Eight only)** on ‘CCTV Camera in unfinished/ incomplete form along with accessories’ imported by declaring as “Spare Parts” / “CCTV Camera Spare Parts” is liable to be demanded and recovered under Section 28(4) of the Customs Act, 1962, along with applicable interest in terms of Section 28AA of the Customs Act, 1962?
- (iv) As the goods covered under Bill of Entry No. 9512314 dated 03.01.2024 placed under seizure were released provisionally on execution of a Bond for Rs. 1,03,34,752/-, Bank Guarantee No. 050542BG0000224 dated 16.02.2024 for Rs. 13,50,000/- towards

differential duty and Bank Guarantee No. 050542BG0000225 dated 16.02.2024 for Rs 15,00,000/- towards security deposit, whether the Bond should be enforced, the Bank Guarantee & security deposit furnished should be appropriated towards their differential duty liability?

- (v) Whether the Importer is liable for penalty under Section 112(a), 112 (b), 114A & 114AA of the Customs Act, 1962?
- (vi) Whether Shri Khushiram Mahavirmal Ratanchandani, Managing Director of M/s. K. M. Electronic Cables Private Limited is liable for penalty under Section 112(a)(ii) and Section 114AA of the Customs Act, 1962?
- (vii) Whether M/s. S M Enterprise (CB Code ABKPJ5436ECH001) is liable for penalty under Section 112(a)(ii) of the Customs Act, 1962 and under Regulation 10(d) of Customs Brokers Licencing Regulations, 2018?

**13.1** I find that Duty liability with interest, confiscation of goods and penal liabilities would be relevant only if the main point stated at Sr. No. 13(i) supra is decided in line with the classification proposed in the Show Cause Notice. Thus, the main point is being taken up firstly for examination.

**14. Whether classification of the goods i.e. “CCTV camera spare parts” imported under Customs Tariff Item No. 85299090 vide Bills of Entry as detailed in Annexure-A to the SCN should be rejected and correctly classified under Customs Tariff Item No. 85258090/ 85258900 as “CCTV Camera in unfinished/ incomplete form alongwith accessories” and the Bills of Entry should be re-assessed accordingly?**

**14.1.** I find that M/s KMECPL had filed Bill of Entry No. 9512314 dated 03.01.2024 through Customs Broker M/s. S M Enterprise (CB Code ABKPJ5436ECH001), under CTI 8529 9090 by declaring the goods as spare parts of CCTV camera (as mentioned in Table-1 of para 1 above). I further find that as the declared goods did not appear to be spare parts of the CCTV camera, the import consignment was examined by the officers of Customs, Air Cargo Complex, Ahmedabad, in presence of the representative of the importer, Customs Broker and Shri Bhasker Bhatt, Chartered Engineer & Valuer under Panchanama dated 27.01.2024 and representative samples of the goods were drawn, inter alia, for obtaining a technical opinion of Chartered Engineer. Further, based on the Chartered Engineer’s report and the analysis of the importer’s previous consignments, it was proposed to reclassify the goods under CTI 85258090 / 85258900 as “CCTV Cameras in unfinished/incomplete form along with accessories.”

**14.2.** Classification of goods under the Customs Tariff Act, 1975 is made in accordance with the General Rules of Interpretation of the Import Tariff (hereinafter referred as “GRoI” for the sake of brevity). Rule 1 of the GRoI provides that the classification of goods shall be determined according to the terms of the headings of the tariff schedule and any relative Section or Chapter Notes. In the event that the goods cannot be classified solely on the basis of GRoI 1, and if the heading and legal notes do not otherwise require, the subsequent GRoI Rules may then be applied in sequence. It is pertinent to mention that television cameras are classifiable under Customs Tariff Heading (CTH) 8525, whereas parts of items falling under this heading are classifiable under CTH 8529. On examining the Section and Chapter Notes, I do not find any specific note providing guidance on the classification of CCTV cameras and their parts. Therefore, in this case, Rule 2(a) of the GRoI becomes applicable for determining the correct classification. Rules 2(a) of the GRoI states as under:

*2(a). Any reference in a heading to an article shall be taken to include a reference to that article incomplete or unfinished, provided that, as presented, the incomplete or unfinished articles has the essential character of the complete or finished article. It shall also be taken to include a reference to that article complete or finished (or failing to be classified as complete or finished by virtue of this rule), presented unassembled or disassembled.*

**14.2.1.** I note that on plain reading of Rule 2(a) of the GRoI, it becomes evident that it encompasses two key principles. The first part addresses cases where incomplete or unfinished articles, which possess the essential character of the complete or finished article, are to be classified under the same heading as the finished article. The second part of Rule 2 (a) stipulates that if an imported un-assembled parts can be assembled to form an article then such un-assembled parts would be classified under same heading as the finished article. Furthermore, combining both limbs of two parts of Rule 2(a) implies that if imported un-assembled parts, when assembled, result in an un-finished or incomplete article, which in turn possesses the essential character of finished / compete article, then such un-assembled parts shall be classified under the heading applicable to the complete/finished article. I further note that Explanatory Notes to Harmonized System of classification of Import Tariff are issued by Customs Cooperation Council, World Customs Organization to explain the Tariff. For better understanding of the facts, the said explanatory Notes explaining the Rule 2(a) of the GRoI is reproduced as under:

*The first part of Rule 2 (a) extends the scope of any heading which refers to a particular article to cover not only the complete article but also that article incomplete or unfinished, provided that, as presented, it has the essential character of the complete or finished article.*

*The second part of Rule 2(a) provides that complete or finished articles presented unassembled or disassembled are to be classified in the same heading as the assembled article: When goods are so presented, it is usually for reasons such as requirements or convenience of packing, handling or transport.*

***This Rule, also applies to incomplete or unfinished, articles presented unassembled or disassembled provided that they are to be treated as complete or finished articles by virtue of the first part of this Rule.***

I find that the above elaboration from the HS Explanatory Notes clearly affirms that unassembled parts, if they can be assembled into an incomplete or unfinished product having the essential character of a finished article, must be classified under the heading/sub heading where such article in finished/ complete form is classified.

**14.2.2.** I find that to further elucidate the **applicability of Rule 2(a) of GRoI**, several illustrative examples have been provided in the HS Explanatory Notes across different chapters. Some relevant examples are quoted below for further clarity of the applicability of the Rule 2(a) of GRoI.

**(1) Explanatory Note in Chapter 86**

*Incomplete or unfinished vehicles are classified with the corresponding complete or finished vehicles, provided they have the essential character thereof. Such vehicles may include: Locomotives or motorized railway or tramway coaches, not fitted with a power unit, measuring instruments, safety apparatus or service equipment.*

**(2) Explanatory Note in Chapter 87**

*An incomplete or unfinished vehicle is classified as the corresponding complete or finished vehicle provided it has the essential character of the latter, as for example: (i) . A motor vehicle, not yet fitted with the wheels or tyres and battery. (ii) A motor vehicle not equipped with its engine or with its interior fittings.*

**(3) Explanatory Note in Chapter 87**

*Incomplete or unfinished aircraft (e.g., aircraft not equipped with engines or internal equipment) are classified as the corresponding complete or finished aircraft, provided they have the essential character of the latter.*

From the above examples, I find that these examples make it clear that the classification of an article under Rule 2(a) does not require it to be functionally complete. The critical criterion is whether it possesses the essential character of the finished product. Even highly significant components, such as engines in an aircraft, need not be present, as long as the overall identity and essential character of the aircraft is established, classification under the relevant heading for finished aircraft is justified.

**14.3.** I also take note of Circular No. 44/1997-Cus dated 30.09.1997, which provides administrative clarification on the applicability of Rule 2(a) of the GRoI. The issue is clarified in circular as under :-

Rule 2 (a) of the Interpretative Rules of the First Schedule to the Customs Tariff Act, 1975, inter alia, provides for assessment of articles presented in unassembled or disassembled condition as complete article. It also provides for assessment of incomplete articles presented unassembled or disassembled, as complete article, provided the incomplete article has the essential characteristic of the complete article. The HSN Explanatory Note to

this rule after its recent amendments, with reference to articles presented unassembled and disassembled explains these terms by stating, *inter alia*, that the components in such cases are to be assembled either by means of simple fixing devices (by screws, nuts, bolts, etc.) or by riveting or by welding provided only assembly operations are involved. **It also states that no account is to be taken to the complexity of the assembly method. However, the components shall not be subjected to any further working operations to bring it to completion into finished state.** Thus, this rule is applicable in cases where;

- (i) Only assembly operations are involved irrespective of the complexities of the assembly methods; and
- (ii) Components themselves should not be subjected to any further working operations for completion into finished state.

**14.4.** I note that in the present case, the importer has declared the goods as spare parts of CCTV cameras and classified them under CTI 8529 9090, which covers "Parts suitable for use solely or principally with the apparatus of headings 8525 to 8528." The department, however, has proposed reclassification under CTI 85258090/85258900 as "CCTV Cameras in unfinished/incomplete form along with accessories." I find it worth to re-produce the description of goods mentioned in CTH 8529 and those in CTH No. 8525 to ascertain as to what would be merit classification of the impugned goods.

**14.4.1.** The relevant heading/description of CTH 8529 reads as under:

CTH 8529	PARTS SUITABLE FOR USE SOLELY OR PRINCIPALLY WITH THE APPARATUS OF HEADINGS 8525 TO 8528
8529 90 -	<i>Other:</i>
...	

**8529 90 90 -- Other**

**14.4.2.** The relevant heading/description of CTH 8525 reads as under:

**CTH 8525 (upto 31.12.2021)**

8525	TRANSMISSION APPARATUS FOR RADIO-BROADCASTING OR TELEVISION, WHETHER OR NOT INCORPORATION RECEPTION APPARATUS OR SOUND RECORDING OR REPRODUCING APPARATUS; TELEVISION CAMERAS, DIGITAL CAMERAS AND VIDEO CAMERA RECORDERS
8525 50 -	<i>Transmission apparatus:</i>
...	

**8525 80 -** *Television cameras, digital cameras and video camera recorders:*

**8525 80 10 -** *Television Cameras*

**8525 80 20 --** *Digital cameras*

**8525 80 30 --** *video camera recorders*

**8525 80 90 -- Other**

**CTH 8525 (w.e.f. 01.01.2022)**

8525	TRANSMISSION APPARATUS FOR RADIO-BROADCASTING OR TELEVISION, WHETHER OR NOT INCORPORATION RECEPTION APPARATUS OR SOUND RECORDING OR
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	REPRODUCING APPARATUS; TELEVISION CAMERAS, DIGITAL CAMERAS AND VIDEO CAMERA RECORDERS
8525 50 -	<i>Transmission apparatus:</i>
....	
.....	
8525 80 -	<i>Television cameras, digital cameras and video camera recorders:</i>
8525 81 00 --	<i>High-speed goods as specified in sub-heading Note 1 to this Chapter</i>
8525 82 00 --	<i>Other, radiation-hardened or radiation-tolerant goods as specified in sub-heading Note 2 to this Chapter</i>
8525 83 00 --	<i>Other, night vision goods as specified in sub-heading Note 3 to this Chapter</i>
<b>8525 89 00 -</b>	<b>Other</b>

**SUB-HEADING NOTE :**

1. *Sub-heading 8525 81 covers only high-speed television cameras, digital cameras and video camera recorders having one or more of the following characteristics:— - writing speed exceeding 0.5 mm per microsecond; - time resolution 50 nanoseconds or less; - frame rate exceeding 225,000 frames per second.*
2. *In respect of sub-heading 8525 82, radiation-hardened or radiation-tolerant television cameras, digital cameras and video camera recorders are designed or shielded to enable operation in a high-radiation environment. These cameras are designed to withstand a total radiation dose of at least  $50 \times 103$  Gy(silicon) ( $5 \times 106$  RAD (silicon)), without operational degradation.*
3. *Sub-heading 8525 83 covers night vision television cameras, digital cameras and video camera recorders which use a photocathode to convert available light to electrons, which can be amplified and converted to yield a visible image. This sub-heading excludes thermal imaging cameras (generally sub-heading 8525 89).*

**14.4.3.** From the above, I note that Customs Tariff Heading 8529 primarily covers "parts suitable for use solely or principally with the apparatus of headings 8525 to 8528." Within this heading, sub-heading 852990 pertains to parts not elsewhere specified, classified under the category "Other," and specifically Tariff Item 85299090 refers to such unspecified parts. I further observe that under the structure of CTH 8525, as it existed up to 31.12.2021, the sub-heading 8525 80 covers items such as "**television cameras, digital cameras and video camera recorders.**" However, CCTV cameras were not explicitly listed under any tariff items within this sub-heading. Accordingly, such cameras would fall under the residuary Tariff Item 8525 8090. It is also relevant to note that the Noticee, until the year 2016, was importing similar types of cameras and classifying them under CTI 8525 8090, which suggests that there was no dispute regarding the correct classification of CCTV cameras under this tariff item up to 31.12.2021. Subsequently, effective from 01.01.2022, the structure of CTH 8525 was amended pursuant to Section 104 of the Finance Act, 2021, in alignment with the new (seventh) edition of the Harmonized System Nomenclature (HS-2022) adopted by the World Customs Organization (WCO). I find that under the revised layout of Heading 8525, "**Cameras and Video Camera Recorders**" continue to be classified under Tariff Sub-heading 8525 80, with more specific categories introduced under Tariff Items

8525 8100, 8525 8200, and 8525 8900, in accordance with Sub-heading Notes 1 to 3. As CCTV cameras continue to remain unlisted under any specific Tariff Item even in the revised structure, I find that these should now be rightly classified under the residuary Tariff Item 8525 8900 with effect from 01.01.2022.

**14.5.** I find that the Noticee has imported the impugned goods by describing them as Spare Parts of CCTV Camera (*IP Camera Module without Lens & ICR Model IVG G3H, 6MP IP Camera Module without Lens & ICR Model IVG G6S, Cable Cord Small IR LED to Module, Heat Sink 11\*11\*5 MM*) by classifying the same under CTI 8529 9090 under Bill of Entry No. 9512314 dated 03.01.2024. I find that to ascertain the actual nature of the imported goods, the department obtained a technical examination from Chartered Engineer, Shri Bhasker Bhatt, who submitted his findings vide report dated 09.02.2024. The relevant observations from the report are reproduced below for a better understanding of the nature and functionality of the goods under import:

***"The item Camera Module without Lens & ICR Model IVG G3H & IVG H6S are mounting of the CCTV camera.*** Camera Compact Module (CCM) is an important electronic device for image capture. In short, it is a device that converts the optical signal of an object into a digital signal that can be read and stored. It is mainly composed of lens, image sensor, VCM motor/base, IR filter, circuit board and other components. However, in this consignment there is no lens which is required to sharpen the light signals by focusing.

*Camera modules have a wide range of applications, such as common medical, ATM machines, road monitoring, home monitoring and precision equipment mobile phone module cameras. There are shadows of camera modules in these industries. It can be said that the camera module is the most basic monitoring component, and it can also be called a monitoring camera without a casing.*

***This module has above mentioned all basic functions of camera, in addition to the basic functions it has components mounted on PCB which has capabilities to further process the captured image in context of operation and identification of human, face, vehicle etc. in different level of lights as well as Infra-red light sensors.*** The modules are without lens however the lens made up of Glass or plastic or hybrid as Glass with plastic are used for clarity, density of digital image, filtration, voice assisted mechanism, focusing motor etc.”

With respect to the aspect whether camera modules have essential character of camera or otherwise, the report mentioned as under:

***"The Modules are capable to capture picture and convert the light signals in to digital / electrical signals. Therefore, it has an essential characteristic to capture the picture which are sent to CMOS;*** further for sharpness, face recognition, movement recording, image transfer etc processes could be achieved by additional items installed on the PCB. Based upon the application of the module lens may or may not be added. When finished product as a TV or CCTV or Computer camera of the quality of 3MP or more MP quality picture capturing needs to be achieved; one or more lens are added.”

From the foregoing discussion, I find that Shri Bhasker Bhatt, Chartered Engineer, on examination of the goods imported under Bill of Entry No. 9512314 dated 03.01.2024, submitted a detailed technical evaluation vide his Report dated 09.02.2024. In his report, he concluded that the imported items, *Camera Modules*

without Lens & ICR, Model IVG G3H and IVG G6S, constitute the mounting/core component of a CCTV camera. The report clearly states that these modules are not merely passive components but are functionally active image-capturing devices, capable of converting optical signals (light) into digital/electrical signals. Furthermore, these modules are equipped with PCB-mounted components, which enable advanced image processing, such as detection and identification of human faces, vehicles, and other objects, even under varying lighting conditions, including the presence of infrared (IR) illumination. Shri Bhatt further mentioned that although the modules were imported without lenses and ICR filters, they nonetheless possess the essential characteristics of a camera, as understood in both technical parlance and in common usage. He emphasized that these modules meet the basic definitional criteria of a camera, as publicly available on authoritative technical platforms and online sources. Additionally, the report clarifies that the absence of certain auxiliary components, such as lens assemblies or IR/ICR filters, does not take away from the inherent functionality of the modules. Rather, addition of such components serves only to enhance the performance and completeness of the module, thereby making it a fully assembled or finished camera. Thus, it is evident from the Chartered Engineer report that the imported camera modules are not mere parts but functionally independent units capable of performing the principal operations of a camera.

**14.5.1.** I further find that in respect of other two items i.e. Cable Cord Small IR LED to Module, Heat Sink 11\*11\*5 MM, the report mentioned as under:

*The **connecting cables** are provided to transfer digital signals in to electrical signal for storage, reproduction etc.*

*The **heat sinks** are accessories, as the camera are installed in to open space exposed to sunlight as well it is supplied with electric power, and under operational condition heat is generated, which needs to be dissipated from the surface of the processors, otherwise it may stop working. Accordingly, the heat sinks are accessories, it improves and facilitate better performance of the electronic item where it is fitted.*

**14.6** I further find that the Noticee has been engaged in importing various types of cameras and camera-related components, including Zoom Camera Modules, Camera Modules with lens and IR/ICR filters, and Camera Modules without lens and IR/ICR filters, as detailed in Table 2 of para 4(b) above. These items were consistently declared as "Spare Parts of CCTV Camera", and were classified by the Noticee under Customs Tariff Item 8529 9090. I also observe that the Noticee imported several discrete parts of CCTV cameras, such as lenses and IR/ICR filters (either individually or in combined form), POE boards, camera housing, POE-to-module cables, IR LED-to-module cables, and heat sinks, all of which were similarly classified under CTI 8529 9090. I further find that, prior to 2016, the Noticee was classifying similar goods under CTI 8525 and discharging customs duties accordingly. These earlier import documents and declarations did not indicate that the goods were "parts" of cameras. However, from the year 2016 onwards, the

Noticee began importing the same goods in disassembled or modular form, spread across different Bills of Entry, while declaring them as "spare parts of CCTV Camera". I also note that camera parts falling under CTI 8529 9090 attract a Basic Customs Duty of 10%, whereas complete television cameras are liable to a BCD of 20%, under CTI 8525 8090 (applicable up to 31.12.2021) and under CTI 8525 8900 (with effect from 01.01.2022). I find that this change in classification appears to have been made to avail the benefit of a lower rate of duty, despite the nature and functionality of the goods remaining substantially the same.

**14.7.** I also find that, according to Wikipedia, ***a spare part, spare, service part, repair part, or replacement part, is an interchangeable part that is kept in an inventory and used for the repair or refurbishment of defective equipment/units.*** Similarly, the Cambridge Dictionary defines spare part as ***a part that can be used to replace another similar part in a car or other machine or piece of equipment.*** From these definitions, I note that *spare parts* are typically intended for **replacement or repair** of an existing, complete product. However, in the present case, I find that the parts imported by the Noticee, such as camera modules, lenses, IR/ICR filters, POE boards, cables, housings, and heat sinks, are not spare parts in the conventional sense, but rather essential components intended for assembling new CCTV cameras. The Noticee's claim that these are "spare parts" used in manufacturing rather than for replacement does not align with the standard or technical definition of "spare parts". Moreover, I find that when various essential components of a final product are imported in a disassembled or unassembled state but together constitute the identity or essential character of the finished item, they are required to be classified not as spare parts, but under the heading applicable to the complete product, in line with Rule 2(a) of the General Rules for the Interpretation of the Customs Tariff.

**14.8.** I further find that Tariff Classification and Marking Branch, USA vide detailed Ruling No. HQ W968349 dated 08.02.2007 specifically held that a camera module having ability to converting and processing image data has been ruled as camera under CTH 8525. The relevant extract from the Ruling is reproduced below.

*"When classifying CCD cameras or camera modules, CBP looks to the functionality of the item upon entry to the United States. Even when incomplete, if the CCD module is capable of "converting or processing image data" at the time of entry, it is classifiable under the heading 8525, HTSUS, as a television camera. See New York Ruling (NY) E86557, dated September 23, 1999. See also HQ 953116, dated October 6, 1993 (Incomplete MicroImager digital camera classified under subheading 8525.30, HTSUS). The CCD is an image sensor which transforms light into electrical charges. These electrical charges are passed to the ADC which converts each charge into a digital value and then into binary code. The image data, which enters the subject module as light, is exported in the form of binary code as a result*

*of the combined actions of the CCD and ADC. The module is therefore capable of “converting or processing image data,” and falls under heading 8525, HTSUS.”*

From the above, I note that if a CCD Module or Camera module is capable of “converting or processing image data” then the same is rightly classifiable under CTH 8525. It is one of the main condition that the Camera module should be able to convert or processing image data.

**14.9.** I further find that a typical **CCTV camera system** is composed of several essential components that work in unison to perform its surveillance functions. From the online platforms and records, I find that the major parts of a CCTV camera include:

- **Camera Module (Image Sensor with PCB and Processor):** Captures visual data and converts light into electrical signals. Often integrated with processors capable of handling image enhancement, object recognition, and other AI-based features.
- **Lens:** Focuses light onto the image sensor to capture clear visuals.
- **IR/ICR Filter (Infrared Cut Filter):** Enables the camera to switch between day and night vision by blocking or allowing infrared light.
- **POE (Power Over Ethernet) Board:** Supplies power and facilitates data transmission over a single Ethernet cable, eliminating the need for separate power sources.
- **Camera Housing/Enclosure:** Protects the internal components from environmental factors such as dust, moisture, and impact.
- **Heat Sink:** Dissipates heat generated by the camera's internal electronics to ensure stable functioning.
- **Cables and Connectors (e.g., IR LED-to-module, POE-to-module cables):** Provide electrical connectivity and interface between various internal components.

From the above and report of the Chartered Engineer, I find that all the aforementioned parts are integral to the functioning of a CCTV camera. I note that in the consignment imported under Bill of Entry 9512314 dated 03.01.2024, the camera modules were imported. The Chartered Engineer after detailed examination and analysis held that the imported Camera Modules without Lens & ICR (Model IVG G3H and Model IVG G6S), are not mere spare parts but critical functional components possessing the essential characteristics of a complete camera. These modules are capable of capturing images, converting optical signals into digital signals, and even supporting further image processing functions such as facial or object recognition under varying light conditions, including infrared. I further find that although the modules were imported without lenses and ICR filters, they nonetheless possess the essential characteristics of a camera, as understood in both technical parlance and in common usage. I further find that the absence of certain auxiliary components, such as lens assemblies or IR/ICR filters, does not take away the inherent functionality of the modules. Rather, addition of such components serves to enhance the performance and completeness of the module, thereby making it a fully assembled or finished camera. Therefore, the

same are classifiable under CTI 8525 8090. Moreover, from the relevant records, I find that the Noticee has imported various components of the CCTV Camera i.e. **camera modules, lenses, IR/ICR filters, POE boards, housings, cables, and heat sinks**, in adequate quantities and through various Bills of Entry. Furthermore, I note that these components were imported from the same/different overseas supplier, and the import pattern indicates a deliberate attempt to split the complete camera into its constituent parts and declare them separately as "spare parts" or "Spare parts of CCTV Camera" under CTI 8529 9090, attracting a lower BCD of 10%. I find that this act of the Noticee clearly indicates a conscious strategy to mislead the Department and evade the applicable higher rate of customs duty. From the records of previous imports, it is evident that, in aggregate, they comprise substantially all the components required to assemble a fully functional CCTV camera. Therefore, I find that these goods merit classification as a complete article under CTI 8525 8090 (for imports up to 31.12.2021) or CTI 8525 8900 (with effect from 01.01.2022), in terms of Rule 2(a) of the General Rules for the Interpretation of the Import Tariff.

**14.10.** I also find that the original commercial invoices issued by the overseas supplier do not describe the goods as "spare parts of CCTV Camera", however, the Noticee has added the phrase "Spare parts of CCTV Camera" on their own in the description while filing the Bills of Entry for clearance of the said goods. I further find that this alteration in the description is a deliberate act, clearly intended to misrepresent the actual nature and functionality of the imported goods before the Customs authorities. By declaring the goods as "spare parts," or "Spare parts of CCTV Camera", the Noticee sought to classify them under a tariff item attracting a lower rate of Basic Customs Duty. I find that this mis-declaration is a conscious and premeditated attempt to mislead the Department and to evade payment of the correct and applicable customs duty by suppressing the actual classification of the goods.

**14.11.** I further find that Shri Khushiram M. Ratanchandani, Managing Director of M/s. KMECPL, in his voluntary statement dated 19.06.2024, admitted that they import CCTV Camera Modules, sometimes along with lens and IR/ICR filter, and sometimes without them. On being asked as to why words "CCTV Camera Spare Part / Spare Parts" used for items which are not used as spare parts, he stated that they used such words to indicate parts for use in manufacturing of camera. I further find that on perusal of the definition of "spare parts," he acknowledged that a spare part is defined as an interchangeable part kept in inventory and used for the repair or refurbishment of defective equipment or units. Further, when asked about the steps involved in the manufacturing process of CCTV Cameras at their facility, Shri Ratanchandani described the process as follows:

- (i) Attaching cable and bonded using adhesive.
- (ii) Front part of housing is glass attached and UV treated.
- (iii) Module is cleaned and lens attached and focus adjustment.
- (iv) Securus Firmware installation and update

(v) Completion of assembly of finished camera.

From the above statement, it is evident that the activities performed by M/s. KMECPL involve basic assembling operations such as attaching, fixing, and firmware installation. There is no substantive transformation or value-addition done to the imported items such as the lens, IR/ICR filter, IR LED, POE board, cables, or housing prior to assembling them into a complete unit. I find that in the present case, mere act of assembling various pre-fabricated components, without any substantial processing, does not amount to manufacture in the legal sense. Instead, it indicates that the imported goods already possess the essential characteristics of a complete camera or, at the very least, a camera module capable of performing the core functions of capturing, processing, and transmitting visual data. From the analysis of the imported goods described at Sr. No. 1 and 2 of Table-1 above, I find that these items i.e. camera modules possess the essential characteristics of a fully functional camera. The additional parts imported earlier by the Noticee such as lens, IR/ICR filter, POE board, cables, and housing are merely assembled to form a finished CCTV camera, without undergoing any transformation or fabrication. Accordingly, I find that the goods under import are rightly classifiable as "Cameras" and not as "parts" or "spare parts." Since "CCTV Camera" is not specifically enumerated in any tariff item under CTH 8525, the appropriate classification would be under CTI 8525 8090 for imports made up to 31.12.2021, and under CTI 8525 8900 for imports made on or after 01.01.2022.

**14.12.** The Noticee, in their defense, submitted reports from two independent Chartered Engineers to argue that the imported goods under Bill of Entry No. 9512314 dated January 3, 2024, should not be classified as CCTV cameras. According to their submission, Shri S. D. Deshpande, in his report dated 29.11.2024, conducted a detailed technical analysis and real-life demonstration of the goods, specifically IP camera modules without lenses (G3H & G6S), along with a heat sink and small cable. According to the report, these goods cannot be classified as complete CCTV cameras as these Camera modules are without lenses and therefore cannot capture the image. Similarly, Shri Dinesh P. Jani, a Chartered Engineer and Government Registered Valuer (Category-VII), in his report dated 09.12.2024, concluded that the imported modules, being without lenses, are insufficient to manufacture a complete CCTV camera assembly and should not be classified as CCTV cameras. Relying on these reports, the Noticee contends that the impugned goods cannot be classified as CCTV cameras.

In this regard, I note that the Noticee has relied on the opinions of two Chartered Engineers, Shri Dinesh P. Jani and Shri S. D. Deshpande. For better understanding the purpose and outcome of the report, the relevant portion of Shri Dinesh P. Jani's report (Reference No. DPJ/2024-25/396, dated 09.12.2024) is reproduced hereunder:

“M/s K. M. Electronics Cables Pvt Ltd. “K. M. House”, Opp Maurya Complex, Near C. U. Shah College, Ahmedabad, 380014, has **requested us to study the details of various inputs of their end product and opine whether it is a complete set of inputs to build/fabricate/assemble a set of their end product, commonly known as CCTV (Close Circuit TV).** It is with reference to Bill of Entry No. 9512314 dated 03.01.2024.

....

....

***The Major functions/Part of a CCTV Camera are as under:***

*System Structure*

*Sensor*

*Video Compression*

*Image Output*

*Shutter*

*Lense*

*Audio Compression*

*Network Interfaces*

*Extension Interface*

*Audio Interface*

*Signal Interface*

*Intelligence Analysis/mobile Monitoring*

*Power*

***They are importing following parts:***

*Securus-IR-W(IR) LED Board*

*IP Camera Module w/o Lens and ICR Model IVG-G3H*

*PC-31 Cable Cord*

*PC-39 YT10102-HD+IRO722 with holder + IR-Cut*

*Heat Sink 9\*9\*5 MM*

*Various Consumables are also imported*

*Waffer = Plastic Shell 1.25-3P L=110 mm*

*Waffer 2.0-2P*

*Small Cable Cord IR LED to module*

*Rest of the parts/assemblies are purchased/procured/manufactured on outsources base.*

....

....

....

***CONCLUSION:***

*From the details provided to us, study of flow chart, uses/application of various indigenous parts, we are of opinion as a Chartered Engineer that **the imported mainly modules WITHOUT LENSES SHOULD NOT BE ENOUGH TO MANUFACTURE A COMPLETE SET OF CCTV ASSEMBLY AND IMPORTED PARTS SHOULD NOT BE CLASSIFIED AS CCTV CAMERA.** The opinion is given on request of importer for their internal captive use.”*

From the above report, I find that in his conclusion, Shri Jani stated that the imported modules, being without lenses, are not sufficient to manufacture a complete CCTV assembly and thus should not be classified as CCTV cameras. He further stated that this opinion was provided at the request of the importer for their internal use. From this, I find that the **purpose of the report was to examine whether the imported goods constituted a complete set of inputs for assembling a CCTV system.** However, I note that the Noticee has sought to rely on this report to mislead the proceedings by shifting focus from the actual issue. The Show Cause Notice does not allege that the goods are a complete CCTV camera but proposes that the imported goods, IP camera modules without lenses (G3H & G6S), are capable of capturing and processing images and therefore possess the essential characteristics of a CCTV camera. The SCN clearly states that the goods should be classified as "**CCTV Cameras in unfinished/incomplete form along with accessories.**" In this context, the opinion offered in Shri Jani's report, addressing whether the goods constitute a complete CCTV system, is irrelevant and does not benefit the Noticee's case. Furthermore, the report lists major parts of a CCTV camera including the sensor, image output, signal interface, and intelligence analysis/mobile monitoring, but fails to specify whether these are included in the imported or domestically procured goods. The report also lacks details on functionality of the major parts of the CCTV Camera and it does not specifically address whether the imported modules (G3H & G6S) can perform the function of capturing or processing images. Therefore, I find that absence of this critical assessment renders the report inconclusive and unhelpful in rebutting the SCN allegations.

I further find that Shri S. D. Deshpande submitted his findings vide report dated 29.11.2024. For better understanding the purpose and outcome of the report, the relevant part of the report is reproduced hereunder:

*"On the request of M/s K. M. Electronic Cables Private Limited, "K. M. House", Near C. U. Shah College, Income Tax Circle, Ashram Road, Ahmedabad, 380014, we have inspected the goods viz. "IP Camera module without lens G3H & G6S along with a heatsink & small cable" to evaluate whether said goods comply as a CCTV Camera or not.*

*We hereby provided the samples of the said goods alongwith its technical construction, product parameters. Schematics, etc.*

*M/s K. M. Electronics Cables Private Limited, are manufacturers of CCTV Cameras & other electronic security products having a factory at electronic zone GIDC, Gandhinagar.*

*CCTV stands for Closed-Circuit Television. CCTV is a system in which images are monitored and recorded for surveillance and security purposes. It is a system of cameras, display devices, and data networks that are used to transmit and monitor video signals for security and surveillance purposes.*

*Regarding the said products that is IP Camera module G3H is IVG-G3H is a 3MP (Megapixel) HD low illumination AI Intelligent IP Camera Module and IP Camera module G6S is IVG-G6S 6.0MP (Megapixel) Black Light H. 265 AI IP Camera Module. These are the Printed Circuit Boards (PCB) are the part or component fitted inside CCTV Camera. These PCBs are without lenses so cannot capture image.*

*Hence, considering the above points, design of the said goods, technical construction, application and by applying good engineering principles, we can say that, in our opinion, the inspected goods viz. IP Camera module without lens G3H & G6S along with a heatsink & small cable are the parts or components of the CCTV Camera and not the complete CCTV, hence cannot be classified as a CCTV Camera.*

From the above report, I find that the imported goods, namely IVG-G3H (3MP HD Low Illumination AI Intelligent IP Camera module) and IVG-G6S (6MP Black Light H.265 AI IP Camera module), are printed circuit boards (PCBs) used within CCTV cameras. The report claims that these modules cannot capture images due to the absence of lenses and therefore should not be classified as complete CCTV cameras. I note that this report fails to provide a comprehensive list of major components required for a CCTV camera. It merely concludes that "**these Camera modules are without lenses and therefore cannot capture the image**", implying that lenses are mandatory for capturing images. However, it does not elaborate on the functionality of the imported modules or the components necessary to form a CCTV camera, especially in the context of the SCN's allegation that the goods are "CCTV cameras in unfinished/incomplete form." In this regard, it is essential to note that the Noticee themselves, in their submission, described the role of lenses as follows:

**"Lens: Normally Camera Lenses are made of optical glass and are a vital part of the camera for focus and image clarity."**

I also note that information from the website [www.supertekmodule.com](http://www.supertekmodule.com) indicates that the **primary function of a lens is to focus light onto the image sensor to ensure clear visuals**. From this, I find that lenses enhance image clarity but are not mandatory for capturing images. I also note that it is not stated anywhere that a camera module cannot function or capture images in absence of a lens. In contrast, Shri Bhaskar Bhatt in his report dated 09.02.2024 specifically mentioned that these modules are capable of capturing images and converting light signals into digital/electrical signals. He emphasized that these modules have the essential characteristics of a camera and that the addition of a lens depends on specific application requirements. In light of this, I find that the imported modules possess the essential characteristics of a camera, even though they may be in an incomplete or unfinished form. In terms of Rule 2(a) of the General Rules for the Interpretation of the Customs Tariff, when imported goods exhibit the essential

character of a complete or finished article, they must be classified under the same heading as that article. In view of the above, the reports of Shri Dinesh P. Jani and Shri S. D. Deshpande do not sufficiently counter the SCN's allegations. The Noticee's contention that the imported goods cannot be classified as CCTV cameras is not substantiated by these reports, as they fail to address the functionality of the imported modules or their essential characteristics. Accordingly, I reject this contention of the Noticee.

**14.13.** The Noticee further contended that they do not agree with the report of Chartered Engineer on the grounds that the wording of report are nothing but copy and paste from some websites; that page 9 of the report is reproduction from webpage [www.supertekmodule.com](http://www.supertekmodule.com); that on this webpage under "Camera Module Structure", Lens is the first item whereas in the report the word removed/deleted the word "Lens" and added one line "In this consignment lens is not imported"; that the products imported and described by them as "Camera module" are in fact populated PCBs and are neither a light sealed container or a box and therefore cannot be used as camera nor can they capture an image; that from the report it appears that he has given general statement and not about the specific goods imported by them.

In this regard, I find that the contention of the Noticee that the report is simply a copy-paste from an online source is not legally or technically sustainable. I note that the source of the content is irrelevant if it accurately describes the goods in question. The Chartered Engineer was engaged by the Department to provide an expert opinion, and in the process of forming such an opinion, it is both reasonable and permissible to consult publicly available information, including technical websites, research papers, and product documentation. In today's digital era, such sources often provide detailed and reliable insights into the structure and function of modern electronic equipment. There is no legal bar on use of such sources, provided the conclusions drawn are based on sound technical reasoning. The Noticee's primary objection centers on the alleged copying rather than a substantive challenge to the report's technical findings. They have not provided evidence to refute the report's conclusions about the nature or functionality of the imported goods, instead, they have claimed that these modules cannot capture images solely because they do not contain lenses or IR filters. Regarding the Noticee's specific objection about the omission of "Lens" in the report, I note that the Chartered Engineer explicitly stated, "In this consignment, the lens is not imported." This clarification aligns with the consignment's documented contents. The Noticee acknowledges that lenses are essential for focusing light onto the image sensor to capture clear visuals. In this regard, as discussed in the foregoing para, while lenses are indeed important components for focusing light onto the image sensor to produce clear visuals, their absence does not categorically prevent the camera module from capturing or processing an image. I find that **Lenses enhance image clarity and focus but are not, by themselves, the image-capturing or image-processing elements.** The core function of capturing an image is typically

performed by the sensor and supporting circuitry within the module. I further note that the Noticee themselves admitted that IR filters are merely **pieces of glass or material that block or allow infrared light**. This further indicates that the absence of an IR Filter does not negate the module's ability to capture images, as IR Filters primarily enhance image quality by managing infrared light, particularly in low-light or night-vision applications. Further, Shri Khushiram M. Ratanchandani, Managing Director of M/s. KMECPL, in his voluntary statement dated June 19, 2024, confirmed that "IR LEDs fitted in the camera enable the camera to see in night time conditions." This statement implies that the imported modules are designed for camera functionality, including night vision, which contradicts the Noticee's claim that the modules are merely populated PCBs. Additionally, while the Noticee has provided a list of the major components that comprise a typical CCTV camera, they have failed to identify any specific imported or domestically procured component that performs the primary function of image capture or image processing. Even the report submitted by Shri Dinesh P. Jani, an independent Chartered Engineer engaged by the Noticee, mentions components such as "Sensor," "Image Output," and "Signal Interface" as essential elements of a CCTV camera. However, neither in the list of imported items nor in the list of domestically procured parts do these specific image-capturing or image-processing components appear. I also find that when Shri Ratanchandani was asked to justify the earlier classification of similar goods under CTH 8525 prior to 2016, he stated that he would submit the details within 4 to 5 days. However, no such submission was made, indicating that the classification was subsequently changed, possibly to gain an undue benefit. It is also pertinent to note that the Noticee repeatedly claims that the imported modules are incapable of capturing images but has failed to specify which exact component in their imported or assembled products performs the core image-capturing function. The repeated failure to provide this critical information reflects either a deliberate omission or an admission that the imported modules indeed possess this capability. On the other hand, Shri Bhaskar Bhatt's report explicitly concludes that the imported Camera Module has the essential characteristics of a camera and is capable of capturing or processing images. In view of the above discussion, I find that the objections raised by the Noticee are not supported by logical reasoning and evidentiary support. Accordingly, I reject the Noticee's contentions in their entirety.

**14.14.** The Noticee further sought cross Examination of Shri Bhaskar Bhatt, Chartered Engineer on the grounds that they do not agree with the findings of the Chartered Engineer's report dated 09.02.2024. They have also cited some case laws in favor of the cross examination.

I find that the Show Cause Notice was issued on 16.07.2024, and the Noticee submitted their defence reply vide letter dated 03.02.2025. However, they did not raise any request for cross-examination of the Chartered Engineer at that stage. This contention was raised only on the verge of finalization of the adjudication proceedings, indicating that it is merely an attempt to derail the process. I further

find that the Chartered Engineer, who is technically qualified to offer an expert opinion on the technical aspects under the provisions of the Customs Act and the Rules made thereunder, has given his findings based on examination of the sample goods, as well as online and offline records. The Noticee has relied upon reports from two independent Chartered Engineers; however, as already discussed in detail in Para 14.12 above, these reports are not relevant to the present case as they fail to address the functionality and essential characteristics of the imported modules. I also placed reliance on the decision given by the Hon'ble Gujarat High Court in the case of *Inter-Continental (India) vs Union of India* – 2003 (154) E.L.T. 37 (Guj.) to rely on the expert opinion:

*“Therefore, once the competent authority who is technically qualified to tender opinion in relation to the technical standards prescribed under the provisions of Food Adulteration Act and Rules thereunder has tendered his opinion it would not be open to any one to take a contrary stand, unless and until such technical opinion is displaced by specific and cogent evidence in the form of another technical opinion. Merely by approaching the matter by stating that the goods could be converted into Palm oil of edible grade by carrying out certain processes, the Respondent No. 3 who is an officer of the department cannot displace the report of technical expert, nor can he insist that inspite of such report the importer must establish that end-use of the product shall not be other than one as regards Entry in which the goods admittedly fall at the time of import.”*

I further note that it is on the principle of natural justice that both sides should be heard fairly and reasonably, that if any reliance is placed on evidence or record against a person, then the evidence or record must be placed before him for his information, to comment and criticism. However, natural justice does not necessarily mandate formal cross-examination in every case. So long as the party charged has a fair and reasonable opportunity, to see, comment and criticise the evidence, statement or record on which the charge has been made against him, the demand and test of the natural justice satisfied. Cross examination in that sense is not the technical cross examination in a court of Law in the witness box, as held in judgment of Kishanlal Agarwal vs. Collector of Land Customs, AIR 1967. Further, it is held that denial of cross examination does not lead to violation of principles of natural justice. The following case laws are relevant and further support the above view:-

- (i) Poddar Tyres (Pvt) Ltd vs. Commissioner-2000 (126) E.L.T 737:- wherein it has been held that cross examination not a part of natural justice but only that of procedural justice and not a 'sine qua non'.
- (ii) Kumar jagdish Ch. Sinha Vs. Collector-2000 (124) E.L.T 118 (Cal H.C)- in this case it has been held that the right to confront witnesses is not an essential requirement of natural justice where the statute is silent and the assessee has been offered an opportunity to explain allegations made against him.
- (iii) A.K Hanbeen Motarred Vs. Collector-2000(125) E.L.T 173 (Mad H.C):- wherein it has been held that the strict rule of the burden of proof applicable to criminal prosecution may not be applicable to proceedings before customs authorities.

(iv) Shivom Ply N-wood Pvt Ltd Vs. Commissioner of Customs & Central Excise, Aurangabad-2004 (177) E.L.T 1150 (Tri. Mumbai):- wherein it has been held that cross examination not to be claimed as a matter of right.

Furthermore, I find that it is a well settled position that proceedings before a quasi-judicial authority are not on the same footing as proceedings before a court of law. It is within the discretion of the quasi-judicial authority to decide whether or not to allow request of cross examination, based on the requirements of natural justice in a given case. Denial of such a request has consistently been held not to violate the principles of natural justice in quasi-judicial proceedings, as upheld in the following case laws:

- a. In the case of kanungo & co. Vs. Collector of Customs, Calcutta and others [1993 (13) E.L.T 1486 (S.C)] wherein it was unequivocally held that for proceedings under Customs Act, the right to compliance to the principle of natural justice does not cover the right to cross examination witnesses. Relevant para is reproduced wherein the Hon'ble Supreme Court observed as follows:-  
*“in our opinion, the principles of natural justice do not require that in matters like this the person who have given information should be examined in the presence of the appellant or should be allowed to be cross-examined by them on the statements made before the Customs Authorities. Accordinlgy, I hold that there is no force in the third contention of the appellant.”*
- b. In the case of Suman Silk Mills Pvt Ltd vs. Commissioner of Customs & C.ex, Baroda [2002 (142) E.L.T 640 (Tri. Mumbai)] Tribunal observed that-  
*“Natural Justice- Cross Examination-Confessional Statements- No Infraction of Principle of Natural Justice where witnesses not crossed examined when statement admitting evasion were confessional.”*
- c. In the case of Commissioner of Customs, Hyderabad V. Tallaja Impex reported in 2012(279) E.L.T 433 (Tri.) it was held- *“ In a quasi judicial proceeding, strict rules of evidences need not to be followed. Cross examination cannot be claimed as a matter of right.”*
- d. In the case of Patel Engg. Ltd Vs. UOI reported in 2014 (307) E.L.T 862 (Bom), Hon'ble Bombay High Court has held that :- *“ Adjudication-Cross Examination- Denial of -held does not amount to violation of principle of natural justice in every case, instead it depends on the particular facts and circumstances-thus right of cross examination cannot be asserted in all inquires and which rule or principle of natural justice must be followed depends upon several factors- futher, even if cross examination is denied, by such denial alone, it cannot be concluded that principles of natural justice had been violated.”*
- e. Hon'ble Punjab and Haryana High Court in its decision in case of Azad Engg Works vs. Commissioner of Customs and Central Excise, reported as 2006 (2002) ELT 423 held that :- *“.....it is well settled that no rigid rule can be laid as to when principles of natural justice apply and what is their scope and extent. The said rule contains principles of fair play. Interferences with an order on this ground cannot be mechanical. Court has to see prejudice caused to the affected party. Reference may be made to judgment of Hon'ble Supreme Court in K.L Tripathi Vs State Bank of India and others, AIR 1984 SC 273.”*

- f. Hon'ble Tribunal in case of P Pratap Rao Sait Vs. Commissioner of Customs reported as 1988 (33) ELT (Tri) has held that “.....*the plea of the learnt counsel that the appellant was not permitted to cross examine the officer and that would vitiate the impugned order on grounds of natural justice is not legally tenable*”.
- g. Similarly in A.L Jalauddin Vs. Enforcement Director reported as 2010 (261) ELT 84 (Mad HC) the Hon'ble High Court held that:- “.....*therefore, we do not agree that the principle of natural justice have been violated by not allowing the appellant to cross examine these two persons. We may refer to the paragraph in AIR 1972(SC) 2136=1983 (13)ELT 1486(SC) (Kanungo & Co.Vs Collector of Customs, Calcutta)*”
- h. *In the case of Liyakat Shah Vs. CCE [2000(120) ELT 556], the CESTAT held that Cross examination can be denied if it just delaying tactics to avoid justice.*
- i. *In case of GTC industries Ltd Vs. Commissioner of Customs New Delhi [2011 (264) ELT 433 (Tri-Del.) it has been held that:- “Evidence in adjudication proceeding need not be like the one in criminal cases- Findings in the adjudication based on preponderance of probability- witnesses found to be not innocent but well conversant with the appellants' trade-Statement of witnesses voluntary and not retracted-Reply to SCN not filed and merely rasied filmsy plea for cross examination prematurely-Right to Cross Examination not required when circumstancial evidence provide reliable basis corroborating statements-witnesses not having enmity with appellant and such witnessess not required to put to cross examination- No right to seek cross examination on filmsy plea when burden of proof discharged by revenue- Natural Justice not violated.”*

In view of the above, I find that the Noticee has not provided any conclusive evidence to contradict the findings of the Chartered Engineer. Moreover, the Chartered Engineer's report is not the sole basis for sustaining the allegations made in the Show Cause Notice. In addition to the said report, there are several other corroborative and circumstantial pieces of evidence, including the Noticee's own past import history wherein similar goods were classified under CTH 8525, the application of Rule 2(a) of the General Rules for Interpretation, voluntary and confirmatory statement of the Director of M/s KMECPL, and mis-declaration in the Bills of Entries wherein the imported goods were described as “Spare parts of CCTV Camera.” These collectively establish that the case does not rely solely on the Chartered Engineer's report. Accordingly, I am of the considered view that the request for cross-examination of the Chartered Engineer is unwarranted and need not be allowed in the present case.

**14.15.** The Noticee further contended that they are manufacturer of CCTV camera, using the goods and indigenously procured & sourced parts of housing, which they get manufactured on contract basis. Manufacturing of CCTV camera is done strictly following SOP of all products. They have further submitted that they were not importing all parts in a single consignment; as per the need of their manufacturing plan, they build the inventory of parts and component required for distinct types of CCTV Camera; that they have full-fledged factory in GIDC Electronic Estate, Gandhinagar and that for last five years their domestic purchase is more than 30% of total purchase; that domestic purchase include various parts like housing,

enclosures, cable cord, EPE Foam, Junction Box, studs, all type of glue, screw, nutt bolts, corrugated boxes etc without which it is not possible to manufacture the CCTV Camera.

In this regard, it is not under dispute that the Noticee is a manufacturer of CCTV cameras and operates a factory at GIDC Electronic Estate, Gandhinagar. As per their own submission, the Noticee is a Private Limited Company engaged in the **manufacturing of electronic security products, including CCTV cameras**, from both imported and locally procured parts, components, and accessories. From this, it is evident that the Noticee is also engaged in the manufacture of other electronic security products besides CCTV cameras. Hence, it cannot be concluded that the entire factory and operations are dedicated solely to the manufacturing of CCTV cameras. Further, the Noticee has also not furnished any specific details regarding the nature and requirements of their factory operations with respect to these other products. It is pertinent to note that the SCN alleges that the Noticee has imported goods which are classifiable as "CCTV cameras in unfinished/incomplete form." Nowhere has it been claimed that the Noticee does not require a factory or premises to complete the process of these items into finished CCTV cameras. Regarding their claim that domestic purchases constitute more than 30% of their total procurement over the last five years, I observed that the Noticee is engaged in the manufacture of various electronic security products, not limited to CCTV cameras. However, there is no record or evidence to show whether these other electronic products are manufactured solely from domestically procured goods or whether imported goods are also used. Further, the Noticee has mentioned the domestically procured goods such as housing, enclosures, cable cord, EPE Foam, Junction Box, studs, all type of glue, screw, nutt bolts, corrugated boxes etc, however, they have not submitted any documentary evidence in support of their contention. Furthermore, they have not provided any item-wise or value-wise bifurcation to demonstrate that the stated 30% domestic procurement pertains specifically to the manufacture of CCTV cameras and not to their other electronic products. In absence of such documentary evidence and considering that the Noticee is also engaged in the manufacturing of other electronic security products, I find that the contention of the Noticee does not hold water and accordingly, I reject the same.

**14.16.** The Noticee also contended that the Input Tax Credit is admissible in respect of IGST and therefore, the differential duty alleged to be evaded, is 11% but not 12.98%; that since IGST is creditable, the applicable rate does not impact the revenue, making the situation revenue-neutral; that even assuming an 11% duty evasion, the commercial reality must be considered; that they earned a Net Profit Margin ranging from 5.87% to 8.82% from the year 2019 to 2024; that it is evident that the imported goods underwent manufacturing, involving investment in factory premises, machinery, manpower, capital, and statutory compliances; that all these efforts were for manufacturing CCTV Camera, if the imported items were already complete CCTV units, as alleged, such extensive investment would not have been

done by the noticee; that no prudent businessman would undertake such an uneconomical approach.

In respect to the Noticee's contention that the ITC is admissible in respect of IGST, thereby reducing the differential duty alleged to be evaded from 12.98% to 11%, and their claim that this situation is revenue-neutral, I note that this argument is fundamentally flawed. At the outset, it is pertinent to clarify that the availability of Input Tax Credit under the GST regime does not ipso facto absolve an importer of their statutory liability to pay the applicable duties of customs, including IGST, at the time of import. The liability to pay customs duty and IGST on imported goods arises under the Customs Act, 1962, and Section 3(7) of the Customs Tariff Act, 1975, respectively, and is not contingent upon the downstream availability or utilization of ITC. Furthermore, the claim of revenue neutrality does not hold, as the evasion of customs duty impacts the exchequer directly, irrespective of downstream ITC claims. Moreover, the argument that the effective rate of duty should be considered as 11% instead of 12.98% has no bearing on the legality of the evasion. The duty forgone, whether partially creditable or otherwise, represents a loss to the exchequer and constitutes a violation of law, particularly when the imported goods were misclassified and mis-declared to circumvent the actual liability. In this case, the investigation has already established elements of deliberate mis-declaration and suppression, which preclude the application of the principle of revenue neutrality.

The Noticee also attempted to justify their conduct by citing net profit margins ranging from 5.87% to 8.82% between 2019 and 2024, asserting that their business operations were economically viable and not structured for evasion. This argument is completely irrelevant to the issue at hand. I note that financial performance or profitability has no legal relevance in determining whether a customs duty evasion has occurred. The test of evasion under the Customs Act is not based on commercial prudence or profitability but on the accuracy of declarations and bona fide classification, valuation, and description of imported goods. The Noticee's profit margin do not constitute evidence of compliance with customs regulations or negate the fact of misclassification. Moreover, the contention that no prudent businessman would undertake an uneconomical approach by investing in manufacturing infrastructure if the goods were imported as complete units is speculative and unsubstantiated. The profitability or business strategy of the Noticee cannot override the statutory requirement to correctly classify goods and pay applicable duties.

The Noticee also claimed that the imported goods underwent manufacturing processes, involving significant investment in factory premises, machinery, manpower, capital, and statutory compliances, to produce CCTV cameras. They further argue that such investments would not have been made if the imported items were complete CCTV units, as alleged by the department. I find that the

imported components such as Camera modules with or without lenses, lenses, IR/ICR filters, IR LEDs, POE boards, cables, and housings were not subjected to any significant processing or transformation that would amount to manufacture under the definition of "manufacture" as contemplated in Section 2(f) of the Central Excise Act, 1944, which is relevant for determining value-addition. I note that in a general view, manufacturing entails a process that brings about a new and distinct article having a different name, character, or use. Further, under the Customs Tariff Act, 1975, the classification of goods is determined based on their condition at the time of importation, as per the General Rules of Interpretation of the Harmonized System of Nomenclature. Rule 2(a) of the GRoI specifies that articles presented in an unassembled or disassembled state are classified as finished articles if they have the essential character of the complete product. The statement of Shri Khushiram M. Ratanchandani, Managing Director of M/s. KMECPL, recorded under Section 108 of the Customs Act, 1962, on 19.06.2024, outlines the alleged manufacturing process as follows:

- (i) Attaching cable and bonding using adhesive.
- (ii) Glass attachment on the front part of housing and UV treatment.
- (iii) Cleaning of module and lens attachment with focus adjustment.
- (iv) Installation and updating of Securus Firmware.
- (v) Completion of assembly into the finished camera.

From the above, I find that these steps do not result in any substantial transformation of the imported goods. The imported components, when assembled, retain the essential character of a CCTV camera, as they were at the time of importation. The presence of pre-loaded firmware and the absence of any significant re-engineering, reconfiguration, or fabrication indicate an intent to evade customs duty through misclassification of the impugned goods. Furthermore, as discussed in para 14.14, there is no evidence to support the claim that the Noticee established the manufacturing facility exclusively for producing CCTV cameras from scratch. Further, in matters involving deliberate suppression, evasion, or misrepresentation, the quantum of investment or scale of operation does not dilute the liability under the law. Accordingly, the Noticee's claims regarding ITC, revenue neutrality, profitability, and investment are found to be attempts to divert attention from the core issue of evasion and mis-declaration, and are therefore rejected.

**14.17.** The Noticee further contended that it is a settled principle that goods must be assessed in the form and manner in which they are imported and presented for assessment/ clearance at the time of import. They also relied upon the decision of Hon'ble Supreme Court in case of Sony India [2008 (231) E.L.T. 385 (S.C.)], and submitted that the classification must be based on the imported form and not their intended assembly. Parts of CCTV Camera, being the said goods, after assembly thereof are not having all the essential ingredients to work as a CCTV Camera. Therefore, it is reasonably, rationally, justifiably and legally be concluded that the said goods can not be classified as a complete CCTV Camera etc.

I note from the import history of the Noticee that similar items were previously classified under CTI 8525 8090, and appropriate customs duty was paid. However, in the present case, the Noticee imported various parts of CCTV Cameras under different Bills of Entry, as summarized in Table-2 of para 4b above, which collectively possess the essential character of a complete CCTV Camera. The Chartered Engineer, after detailed examination, concluded that the imported Camera Modules (Models IVG G3H and IVG G6S), though lacking lenses and ICR filters, are not mere parts but critical functional components with the essential characteristics of a complete camera. I find that these modules are capable of image capture, signal conversion, and support for advanced image processing functions. Further, as per Rule 2(a) of the GRoI, goods that exhibit the essential character of a complete article must be classified accordingly. Therefore, the imported goods merit classification under the appropriate heading for complete CCTV cameras. The judicial decision cited by the Noticee is distinguishable on facts and hence their ratio is not applicable to the present case.

**14.18.** From the discussion hereinabove, it is evident that the impugned goods imported by the Noticee under Bill of Entry No. 9512314 dated 03.01.2024, namely, Camera Modules without Lens & ICR (Model IVG G3H and Model IVG G6S), are not mere spare parts but critical functional components possessing the essential characteristics of a complete camera. These modules are capable of capturing images, converting optical signals into digital signals, and even supporting further image processing functions such as facial or object recognition under varying light conditions, including infrared. This clearly establishes that these items are not simply auxiliary or supporting parts, but rather form the core operational component of a CCTV camera. It is also observed from the import history of the Noticee that earlier, similar items were being classified under Chapter CTH 8525, specifically under 8525 8090, and appropriate customs duty was paid accordingly. However, from 2016 onwards, a shift in classification was noted, where the Noticee began to import these goods by mis-declaring them as "spare parts of CCTV Camera" under CTI 8529 9090, which attracts a lower rate of Basic Customs Duty. I find that this change in classification is not supported either by the technical nature of the goods or by legal provisions, and I find it a deliberate attempt to circumvent the correct classification and avoid payment of appropriate duty. Further, it is important to note that the original invoices issued by the foreign supplier did not describe the goods as "spare parts of CCTV Camera." This description was added only at the time of filing the Bills of Entry by the Noticee. This addition in the description is a significant indicator of mis-declaration and intent to mislead Customs authorities, which calls into question the bonafide nature of the declaration made. Moreover, the definitions of "spare parts" as generally accepted, including those provided by Wikipedia and the Cambridge Dictionary, refer to parts that are used to replace defective components of existing equipment. In this case, the imported items are new, unused components meant to be assembled into finished products, and are not held in inventory for the purpose

of repair or replacement. Further, in the voluntary statement dated 19.06.2024, Shri Khushiram M. Ratanchandani, Managing Director of M/s. KMECPL, admitted that the words "Spare Parts of CCTV Camera" were used in the declarations to indicate that these parts were intended for manufacturing. However, he accepted that the general definition of "spare parts" refers to items used for repair or replacement. He also confirmed that the assembly process of the imported items is a mere combination and fixation process, and no substantial value addition or manufacturing takes place beyond simple attachment. I find that the Chartered Engineer's report further substantiates this conclusion by asserting that the imported camera modules exhibit all basic functionalities of a camera, and merely lack certain auxiliary attachments like lenses, IR filters, or housing items that do not alter their fundamental nature as image capturing devices. The addition of such accessories simply enhances their usability or completes their outer structure but does not change their character as a camera. In addition, the items such as Cable Cord Small IR LED to Module and Heat Sink, which were also imported in the same consignment, are clearly accessories used to facilitate or enhance the performance of the core modules. However, the principal imported item remains the camera module itself, which, as discussed, forms the heart of the CCTV camera assembly. Based on the nature, function, and description of the imported goods, and in view of the Chartered Engineer's expert opinion, past import practices of the Noticee, and statements recorded during the course of the investigation, I hold that the impugned goods i.e. Camera, Camera Modules / Zoom modules / Zoom Camera modules, Camera module with lens and IR/ICR filter, Camera module without lens and IR/ICR filter are rightly classifiable as "CCTV Camera in unfinished form" and not as "parts" or "spare parts" in terms of Rule 2(a) of GRoI. Since "CCTV Camera" is not specifically enumerated in any tariff item under CTH 8525, I hold that it should merit classification under CTI 8525 8090 for imports made up to 31.12.2021, and under CTI 8525 8900 for imports made on or after 01.01.2022. I further find that in case of Camera Modules the conditions as specified under Circular No. 44/1997 dated 30.09.1997 is fulfilled and therefore, the other imported items i.e. lenses, IR/ICR filters, POE boards, Housings, Cable POE to Module / Cable IR LED to Module, and Heat sinks are actually essential parts of the CCTV Camera and not the spare parts of CCTV Camera and they should merit classification with the CTI of CCTV Camera i.e. 8525 8090 in view of the Rule 2(a) of the GRoI. Accordingly, I hold that the imported goods should be classified under CTI 8525 8090 as "CCTV Camera in unfinished form"

**14.19.** From the facts discussed hereinabove, I find that it is established beyond doubt that the Noticee mis-declared the impugned goods as spare parts of CCTV Camera under CTI 8529 9090 in order to avail lower rate of duty. I, therefore, find and hold that the impugned goods imported under Bill of Entry No. 9512314 dated 03.01.2024 are not spare parts of CCTV Camera, rather, they are "CCTV Camera in unfinished / incomplete form along with accessories" and should rightly be classified under the CTI of "Camera" i.e. CTI 8525 8090 (for imports up to

31.12.2021) or CTI 8525 8900 (with effect from 01.01.2022), in terms of Rule 2(a) of the General Rules for the Interpretation of the Import Tariff. I further find and hold that the goods imported by the Noticee in past consignments, as mentioned in Table-2 of Para 4b above, are also not spare parts of CCTV Camera. Instead, they are "CCTV Camera in unfinished / incomplete form along with accessories" and should rightly be classified under the CTI of "Camera" i.e. CTI 8525 8090 (for imports up to 31.12.2021) or CTI 8525 8900 (with effect from 01.01.2022), in terms of Rule 2(a) of the General Rules for the Interpretation of the Import Tariff. Accordingly, I find and hold that, consequent upon the reclassification of the above said goods, M/s KMECPL is liable to pay the differential duty amounting to Rs. 3,30,90,498/- (Rupees Three Crore, Thirty Lakh, Ninety Thousand, Four Hundred and Ninety Eight only) and the same is liable to be recovered alongwith applicable interest and penalty. I also find that the seized goods were released provisionally on execution of a Bond for goods valued at Rs. 1,36,00,000/-, alongwith Bank Guarantee No. 050542BG0000224 dated 16.02.2024 for Rs.13,50,000/- (towards differential duty), and another Bank Guarantee No. 050542BG0000225 dated 16.02.2024 for Rs. 15,00,000/- (as security deposit), in terms of the provisions of Section 110 A of Customs Act 1962.

**14.20.** The Noticee further contended that under Section 28(1)(a) of the Customs Act, 1962, as amended, the extended period of two years applies only when there is a willful mis-declaration or suppression with intent to evade duty; that the SCN lacks any substantive evidence to establish such intent; that they had disclosed all material facts, including catalogues and technical literature, during importation and therefore there is no suppression or mis-declaration; that as the SCN was issued on 18.07.2024, demand of Rs. 1,39,41,487/- for the period prior to 19.07.2022 is barred by limitation. In support of their contention, they also relied upon various judgements.

The Noticee's contention that there was no willful mis-declaration or suppression of facts and therefore demand under Section 28(1) beyond two years is time barred is neither logical nor sustainable. I find that the extended period of five years under Section 28(4) of the Customs Act, 1962, is squarely applicable in the present case. The available evidences clearly indicate that the Noticee resorted to willful mis-declaration and suppression of material facts with the intent to evade payment of applicable customs duty. It is observed from the import history that prior to 2016, the Noticee was classifying similar items i.e. various types of camera modules and related assemblies, under Chapter Heading 8525, and was discharging applicable duty accordingly. However, from 2016 onwards, the Noticee deliberately changed the classification to CTH 8529 9090, declaring the goods as "Spare parts" or "CCTV Camera Spare Parts," thereby attracting a significantly lower rate of BCD i.e. 10% of BCD instead of 20% of BCD. I find that this shift was not backed by any change in the nature of the goods, nor was it supported by any change in relevant legal provisions. Further, the original commercial invoices issued by the foreign suppliers did not describe the goods as "CCTV Camera Spare Parts".

This description was inserted only in the Bills of Entry filed by the Noticee at the time of importation. This addition in the description at the clearance stage demonstrates a conscious attempt to mislead the Customs authorities. Moreover, the repeated use of the term "spare parts" over a sustained period from 2019 to 2024, despite no change in the product specifications, points to a consistent practice of mis-declaration. I further find that voluntary statement of Shri Khushiram M. Ratanchandani confirms that these goods were not used for repair or replacement but merely for assembly, which does not actually amount to manufacturing. The Chartered Engineer's report also establishes that the imported camera modules possessed the essential features of a complete CCTV camera. The consistent practice of prefixing "CCTV Camera Spare Parts" in the Bills of Entry from 2019 to 2024, despite their earlier classification as finished products under CTH 8525, shows a conscious effort to mislead the Department. It is also significant to note that Shri Khushiram M. Ratanchandani has been in charge of purchase and customs-related matters since 2006. His position and involvement indicate that the misclassification was not due to ignorance or inadvertence, but with full knowledge of the correct classification and its implications. By no stretch of imagination it can be said that the Noticee was unaware of the technical specifications of the goods they were importing. The Department assessed the Bills of Entry based on the details provided by the Noticee. It was only after the examination that mis-declaration in the classification of the impugned goods came to light. Thus, I find that M/s. KMECPL has willfully mis-declared the classification of the impugned imported goods and suppressed the correct classification with an intention to evade payment of Customs Duty at applicable rate and therefore, the elements of Section 28(4) of the Customs Act, 1962 are very much present in the instant case. In view of the above discussion, I find and hold that Section 28 (4) has been rightly invoked, as the facts & evidences clearly establish willful mis-declaration and suppression of material facts on the part of the Noticee. Further, the case laws cited by the Noticee envisage circumstances wherein the ingredients of Section 28(4) of the Customs Act, 1962 were absent, however, the present case involves such ingredients of wilful mis-declaration of classification and suppression of correct classification of the impugned goods at the time of import. Thus, the ratio of none of the case laws cited by the Noticee is applicable to the case at hand.

**15.** Further, I find that the Noticee has quoted and relied on various case laws/judgments in their defense submission to support their contention on some issues raised in the Show Cause Notice. I am of the view that conclusions in those cases may be correct, but they cannot be applied universally without considering the hard realities and specific facts of each case. Those decisions were made in different contexts, with different facts and circumstances, and cannot apply here directly. Therefore, I find that while applying the ratio of one case to that of the other, the decisions of the Hon'ble Supreme Court are always required to be borne in mind. The Hon'ble Supreme Court in the case of *CCE, Calcutta Vs Alnoori Tobacco Products* [2004 (170) ELT 135(SC)] has stressed the need to discuss, how the facts of decision relied upon fit factual situation of a given case and to exercise

caution while applying the ratio of one case to another. This has been reiterated by the Hon'ble Supreme Court in its judgement in the case of *Escorts Ltd. Vs CCE, Delhi [2004(173) ELT 113(SC)]* wherein it has been observed that one additional or different fact may make huge difference between conclusion in two cases, and so, disposal of cases by blindly placing reliance on a decision is not proper. Again in the case of *CC(Port), Chennai Vs Toyota Kirloskar [2007(2013) ELT4(SC)]*, it has been observed by the Hon'ble Supreme Court that, the ratio of a decision has to be understood in factual matrix involved therein and that the ratio of a decision has to be culled from facts of given case. Further, the decision is an authority for what it decides and not what can be logically deduced there from.

**16. Whether the goods valued at Rs. 25,49,34,496/- imported by M/s. K. M. Electronic Cables Private Limited are liable for confiscation under Section 111(m) of the Customs Act, 1962?**

**16.1** The present Show Cause Notice also proposes for the confiscation of the imported goods valued at Rs. 25,49,34,496/- under the provisions of Section 111(m) of the Customs Act, 1962. I observe that goods valued at Rs. 24,45,99,744/- pertain to the impugned goods imported over the last five years under various Bills of Entry, as mentioned in Annexure-A and goods valued at Rs. 1,03,34,752/- pertain to the goods imported under Bill of Entry No. 9512314 dated 03.01.2024, which were subsequently seized by Customs officers at Air Cargo Complex, Ahmedabad. Accordingly, I now proceed to examine the issue of confiscation of the impugned goods totally valued at Rs. 25,49,34,496/-, covered under Bills of Entry mentioned in Annexure-A to the SCN.

**16.2** As discussed in paras supra, it is clearly established that M/s. KMECPL filed Bill of Entry No. 9512314 dated 03.01.2024 and mis-classified the goods (having assessable value of Rs. 1,03,34,752/-) under Customs Tariff Item No. 8529 9090 by mis-declaring them as "Spare Parts/ Parts of CCTV Camera", thereby attracting a significantly lower rate of Basic Customs Duty i.e. 10% of BCD instead of 20% of BCD, despite being fully aware that the goods imported were, in fact, "CCTV Cameras in unfinished/incomplete form along with accessories" and not spare parts of CCTV Cameras. During the investigation, this consignment was seized by the Customs officers at the Air Cargo Complex, Ahmedabad. I further find that the original commercial invoices issued by the foreign suppliers did not describe the goods as "CCTV Camera Spare Parts." This description was inserted only in the Bills of Entry filed by the Noticee at the time of importation. Furthermore, it is found that prior to 2016, the Noticee was importing similar goods by classifying the same under CTI 8525 8090. However, when questioned about the reason of change in classification, the Managing Director of M/s KMECPL stated that he would submit a reply within three to four days, but no reply was submitted. Further, the Chartered Engineer, in his report, clearly stated that the imported goods possess essential characteristics to be classified them under "Camera". On going through the Noticee's past import records, it is observed that, by adopting this modus

operandi, the Noticee cleared goods valued at Rs. 24,45,99,744/- (as mentioned in Annexure 'A' of the Show Cause Notice) by paying a lower rate of Customs Duty. Thus, M/s. K. M. Electronic Cables Private Limited has deliberately and knowingly indulged in suppression of facts in respect of their imported goods and has wilfully mis-classified the goods with an intent to evade payment of higher rate of Customs Duty and also contravened the provisions of Section 46(4) of the Customs Act, 1962. In terms of Section 46(4) of the Customs Act, 1962, the Noticee is required to make and subscribe to a declaration as to the truth of the contents of the Bills of Entry submitted for assessment of Customs Duty. Section 111 (m) of the Customs Act, 1962 provides for confiscation of any imported goods which do not correspond, in respect of value or in any other particular, with the entry made under this Act. In this case, M/s. K. M. Electronic Cables Private Limited has resorted to misclassification of the goods by wrongly classifying them under CTI 8529 9090 instead of appropriate Customs Tariff Item No. 8525 8090 (for imports up to 31.12.2021) or CTI 8525 8900 (with effect from 01.01.2022), in the Bills of Entry filed by them as detailed in Annexure-A to the Show Cause Notice, with intent to evade Basic Customs Duty that would have accrued to them had the correct classification been declared. Thus, provisions of Section 111(m) of the Customs Act, 1962 would come into picture. I thus find that willful mis-declaration of description & classification of the impugned goods and suppression of correct classification of the impugned goods from the Air Cargo Complex, Ahmedabad on the part of M/s. KMECPL has rendered the said goods cleared from Air Cargo Complex, Ahmedabad liable for confiscation under Section 111(m) of the Customs Act, 1962. I, therefore, hold the seized goods [which were seized and subsequently released provisionally on execution of a bond for Rs.1,36,00,000/- of goods and Bank Guarantee No. 050542BG0000224 dated 16.02.2024 for Rs.13,50,000/- (towards differential duty) and another Bank Guarantee No. 050542BG0000225 dated 16.02.2024 for Rs. 15,00,000/- (as security deposit)] valued at Rs. 1,03,34,752/- (Rupees One Crore, Three Lakh, Thirty Four Thousand, Seven Hundred and Fifty Two only) liable to confiscation under the provisions of Section 111 (m) ibid. I also hold the imported goods, valued at Rs. 24,45,99,744/- (Rupees Twenty Four Crore, Forty Five Lakh, Ninety Nine Thousand, Seven Hundred and Forty Four only), liable to confiscation under the provisions of Section 111 (m) ibid. Further, since the aforementioned imported goods, having assessable value of Rs. 24,45,99,744/- are not physically available for confiscation, and in such cases, redemption fine is imposable in light of the judgment in the case of **M/s. Visteon Automotive Systems India Ltd. reported at 2018 (009) GSTL 0142 (Mad) wherein the Hon'ble High Court of Madras** has observed as under:

*The penalty directed against the importer under Section 112 and the fine payable under Section 125 operate in two different fields. The fine under Section 125 is in lieu of confiscation of the goods. The payment of fine followed up by payment of duty and other charges leviable, as per sub-section (2) of Section 125, fetches relief for the goods from getting confiscated. By subjecting the goods to payment of duty and other charges, the improper and irregular importation is sought to be regularised, whereas, by subjecting the goods to*

*payment of fine under sub-section (1) of Section 125, the goods are saved from getting confiscated. Hence, the availability of the goods is not necessary for imposing the redemption fine. The opening words of Section 125, “Whenever confiscation of any goods is authorised by this Act ....”, brings out the point clearly. The power to impose redemption fine springs from the authorisation of confiscation of goods provided for under Section 111 of the Act. When once power of authorisation for confiscation of goods gets traced to the said Section 111 of the Act, we are of the opinion that the physical availability of goods is not so much relevant. The redemption fine is in fact to avoid such consequences flowing from Section 111 only. Hence, the payment of redemption fine saves the goods from getting confiscated. Hence, their physical availability does not have any significance for imposition of redemption fine under Section 125 of the Act. We accordingly answer question No. (iii).*

**16.3** Hon'ble High Court of Gujarat by relying on this judgment, in the case of **Synergy Fertichem Ltd. Vs. Union of India, reported in 2020 (33) G.S.T.L. 513 (Guj.)**, has held interalia as under:-

“ . . . .

**174.** ..... In the aforesaid context, we may refer to and rely upon a decision of the Madras High Court in the case of M/s. Visteon Automotive Systems v. The Customs, Excise & Service Tax Appellate Tribunal, C.M.A. No. 2857 of 2011, decided on 11th August, 2017 [[2018 \(9\) G.S.T.L. 142 \(Mad.\)](#)], wherein the following has been observed in Para-23;

“23. The penalty directed against the importer under Section 112 and the fine payable under Section 125 operate in two different fields. The fine under Section 125 is in lieu of confiscation of the goods. The payment of fine followed up by payment of duty and other charges leviable, as per sub-section (2) of Section 125, fetches relief for the goods from getting confiscated. By subjecting the goods to payment of duty and other charges, the improper and irregular importation is sought to be regularised, whereas, by subjecting the goods to payment of fine under sub-section (1) of Section 125, the goods are saved from getting confiscated. Hence, the availability of the goods is not necessary for imposing the redemption fine. The opening words of Section 125, “Whenever confiscation of any goods is authorised by this Act....”, brings out the point clearly. The power to impose redemption fine springs from the authorisation of confiscation of goods provided for under Section 111 of the Act. When once power of authorisation for confiscation of goods gets traced to the said Section 111 of the Act, we are of the opinion that the physical availability of goods is not so much relevant. The redemption fine is in fact to avoid such consequences flowing from Section 111 only. Hence, the payment of redemption fine saves the goods from getting confiscated. Hence, their physical availability does not have any significance for imposition of redemption fine under Section 125 of the Act. We accordingly answer question No. (iii).”

**175. We would like to follow the dictum as laid down by the Madras High Court in Para-23, referred to above.”**

**16.4** The Noticee, M/s. K. M. Electronic Cables Private Limited, has contended that the impugned goods are not liable for confiscation under Section 111(m) of the Customs Act, 1962, on the grounds that the goods are not available for confiscation. M/s KMECPL has also relied on judicial decisions to support their contention.

In this regard, I find that as discussed in the preceding paras, it is clear that M/s K. M. Electronic Cables Private Limited was fully aware that the impugned goods were not spare parts of the CCTV Camera. They willfully changed the description of the goods by adding the words "Spare parts" or "Spare parts of CCTV Camera" and mis-declared the classification of the impugned imported goods and suppressed the correct classification of the impugned goods with an intention to evade payment of Customs Duty. They were very well aware about the actual description and classification of the goods, as in the past they had been regularly importing the said goods under correct CTI i.e. 8525 8090. Furthermore, it is pertinent to note that the facts regarding this mis-declaration and loss to the Government Exchequer would not have come to light had the departmental officers not initiated an investigation into the matter. M/s. K. M. Electronic Cables Private Limited suppressed material facts by mis-declaring the description and classification of the impugned goods, which clearly establishes *mens rea* on the part of the Noticee to evade payment of Customs Duty. As elaborated earlier, the provisions of Section 111(m) of the Customs Act, 1962, are rightly applicable in this case, as M/s. K. M. Electronic Cables Private Limited willfully changed the description of the goods by adding the words "Spare Parts" or "Spare parts of CCTV Camera" and mis-declared the classification of the impugned imported goods as well as suppressed the correct classification of the impugned goods with an intention to evade payment of Customs Duty. In view of the foregoing, I find that the contentions raised by M/s. K. M. Electronic Cables Private Limited are devoid of legal merit, and the ratio of judicial precedents relied upon by them are not applicable to the facts and circumstances of the present case.

**17. Whether M/s. K. M. Electronic Cables Private Limited is liable for penalty under Section 114A of the Customs Act, 1962 ?**

The Show Cause Notice proposes penalty under the provisions of Section 114A of the Customs Act, 1962 on the noticee. The Penalty under Section 114A can be imposed only if the Duty demanded under Section 28 ibid by alleging wilful mis-statement or suppression of facts etc. is confirmed/determined under Section 28(4) of the Customs Act, 1962. As discussed in the foregoing paras, M/s. K. M. Electronic Cables Private Limited has deliberately and knowingly indulged in suppression of facts in respect of their imported product and has wilfully changed the description of the goods by adding the words "Spare Parts" or "Spare parts of CCTV Camera" and mis-declared the classification of the impugned goods and suppressed the correct classification of the impugned goods with an intention to evade payment of Customs Duty. I have already held that the differential Customs Duty of **Rs. 3,30,90,498/- (Rupees Three Crore, Thirty Lakh, Ninety Thousand, Four Hundred and Ninety Eight only)** is to be demanded and recovered from M/s. K. M. Electronic Cables Private Limited under the provisions of Section 28(4) of the Customs Act, 1962. As the provision of imposition of penalty under Section 114A ibid is directly linked to Section 28(4) ibid, I find that penalty under Section 114A of the Customs Act, 1962 is to be imposed upon M/s. K. M. Electronic Cables Private Limited."

**18. Whether M/s. K. M. Electronic Cables Private Limited is liable for penalty under Section 112 (a) & (b) of the Customs Act, 1962:**

I find that fifth proviso to Section 114A stipulates that “where any penalty has been levied under this Section, no penalty shall be levied under Section 112 or Section 114.” Thus, I am inclined to hold that the penalty under Section 114A *ibid* has already been imposed upon the noticee, simultaneously the penalty under Section 112 of the Customs Act, 1962, is not imposable in terms of the fifth proviso to Section 114A *ibid* in the instant case. Hence, I refrain from imposing penalty on the Noticee under Section 112 of the Customs Act, 1962.

**19. Whether M/s. K. M. Electronic Cables Private Limited is liable for penalty under Section 114AA of the Customs Act, 1962?**

**19.1** The Show Cause Notice also proposes imposition of Penalty under Section 114AA of the Customs Act, 1962 on M/s. K. M. Electronic Cables Private Limited. The Noticee has contended that no penalty is imposable in cases involving classification disputes. However, as discussed in the foregoing paras, it is evident that despite knowing the actual facts of the imported goods, the noticee had knowingly and intentionally made, signed or used the declaration, statements and/or documents and presented them to the Customs Authorities which were found incorrect in as much as the goods were not “Spare Parts of CCTV Camera” and were actually “CCTV Camera in unfinished / incomplete form along with accessories”. I further observe that this is not a case of bona fide or interpretational classification dispute. The Noticee had previously been importing the same goods under the correct classification, CTI 8525 8090. However, in spite of having full knowledge of the nature, description, and classification of the goods, they intentionally altered the description and misclassified the goods to avail a lower rate of Basic Customs Duty at 10%, instead of the applicable rate of 20% BCD. This act clearly establishes deliberate intent and cannot be equated with a bona fide classification dispute. Therefore, I find that the ratio of the case laws cited by the Noticee is not applicable to the facts and circumstances of the present case. Therefore, contention of the noticee does not hold water and I reject the same. In view of the above, I find and hold that for this act on the part of M/s. K. M. Electronic Cables Private Limited, they are liable for penalty in terms of the provisions of Section 114AA of the Customs Act, 1962.

**19.2** Further, I rely on the decision of Principal Bench, New Delhi in case of **Principal Commissioner of Customs, New Delhi (import) Vs. Global Technologies & Research (2023) 4 Centax 123 (Tri. Delhi)** wherein it has been held that “*Since the importer had made false declarations in the Bill of Entry, penalty was also correctly imposed under Section 114AA by the original authority*”.

**20.** The SCN also propose penalty on Shri Khushiram Mahavirmal Ratanchandani, Managing Director of M/s. K. M. Electronic Cables Private Limited under Section 112(a)(ii) and Section 114AA of the Customs Act, 1962. Shri

Khushiram Mahavirmal Ratanchandani in his defence submitted that he denies all the averments and allegations made vide the SCN and, in particular, that he supervised the work of purchase as well as of customs clearance and thus M/s KMECPL intentionally wrongly classified the goods under Customs Tariff Heading No. 85299090 to misguide the Custom Officers to evade Customs Duty. He further submitted that penalty is not imposable in classification dispute cases and cited various case laws.

In this regard, I note that Shri Khushiram Mahavirmal Ratanchandani, Managing Director of M/s. K. M. Electronic Cables Private Limited, was responsible for overall functioning of M/s KMECPL, including matters related to purchases, placing orders, and customs clearance of imported goods. I also find that he was the key person under whose supervision all import related work was carried out. I further observe that Shri Ratanchandani has been handling such responsibilities since 2006, and under his supervision, during the period from 2011 to 2016, similar types of goods were imported and correctly classified under CTH 8525. It is important to note that the words "spare parts" were not used in the description of the goods at that time. This clearly indicates that he was very well aware of the nature, description and correct classification of the said goods. Despite this knowledge, he played crucial role in subsequently altering the classification and description of the imported goods from CTH 8525 to CTH 8529 by adding the words "Spare parts" or "Spare parts of CCTV Camera" in the description of the goods with intent to evade Customs duty. It is also noted that Shri Ratanchandani failed to provide any explanation for the change in classification, particularly why the goods were classified under CTH 8525 in earlier years. On being asked as why words "CCTV Camera Spare Part / Spare Part" used for items that were not used as spare parts, he stated that such words were used to indicate that the parts were for use in the manufacture of cameras. However, on being shown the definition of "spare parts", he agreed that a spare part is an interchangeable part kept in inventory and used for the repair or refurbishment of defective equipment/units. Despite this admission, he could not offer any satisfactory explanation as to why, during the period from 2011 to 2016, the same camera modules were classified under CTH 8525 and the term "spare parts" was not used. His inability to provide coherent answers reinforces the conclusion that the reclassification and altered description were intentional to evade customs duties. From the facts and statements on record, I find that the responsibility for classification of the imported goods was with Shri Shri Khushiram Mahavirmal Ratanchandani. As I have already held that the subject goods are liable for confiscation under Section 111 of the Customs Act, 1962, therefore, I hold that for his acts and commissions, Shri Khushiram Mahavirmal Ratanchandani is liable for penalty under Section 112(a)(ii) and Section 114AA of the Customs Act, 1962. Further, in view of the above discussion and findings, I also find that the ratio of the case laws cited by the Noticee is not applicable to the present case.

**21. Whether M/s. S M Enterprise (CB Code ABKPJ5436ECH001) is liable for penalty under Section 112(a)(ii) of the Customs Act, 1962 and under Regulation 10(d) of Customs Brokers Licencing Regulations, 2018?**

**21.1.** The SCN also proposes penalty on M/s. S M Enterprise (CB Code ABKPJ5436ECH001) under Section 112(a)(ii) of the Customs Act, 1962 and under Regulation 10(d) of Customs Brokers Licencing Regulations, 2018. M/s S. M. Enterprise in their defence submitted that they deny all the averments and allegations made vide the SCN and, in particular, that the noticee abetted in the act of mis-declaring and mis-classifying the description of the imported "CCTV Camera parts" and failed to advise their client to comply with the provision of the Act and failed to bring the matter of non-compliance of mis-declaration and mis-classification of the import goods by the importer to the notice of the Department. M/s S. M. Enterprise also contended that no penalty is imposable for alleged violation of obligation under Regulation 10(D) and placed reliance on various case laws.

I find that the Bills of Entry for clearance of goods imported by M/s. K. M. Electronic Cables Private Limited were filed by their Customs Broker, M/s. S. M. Enterprise (CB Code: ABKPJ5436ECH001). As discussed in foregoing paras, the imported goods, described as "Camera Module" in the commercial invoices issued by the foreign suppliers, were mis-declared in the Bills of Entry by prefixing the description with the words "CCTV Camera Spare Parts." I note that a Customs Broker is required to file Bills of Entry based strictly on the particulars provided in the accompanying import documents. I further find that despite having handled M/s KMECPL's import clearances since 2011 and being fully aware that the same goods were earlier classified under CTH 8525, M/s. S. M. Enterprise facilitated the mis-declaration and misclassification of the goods by filing Bills of Entry under CTH 8529, thereby enabling the importer to avail lower rate of Basic Customs Duty. I further find that, under Regulations 10(d) and 10(e) of the Customs Brokers Licensing Regulations, 2018, a Customs Broker is legally bound to advise their clients to comply with customs laws and allied regulations and to exercise due diligence in verifying the correctness of the information submitted during customs clearance. In this case, M/s. S. M. Enterprise failed in both respects. They did not seek or verify any justification for the change in classification and description of goods, nor did they report this mis-declaration to the proper customs authorities. The deliberate insertion of the misleading term "CCTV Camera Spare Parts" in the Bills of Entry, despite its absence from the original commercial invoices, constitutes a willful misrepresentation and a grave lapse in professional responsibility. As a licensed Customs Broker, M/s. S. M. Enterprise was expected to act as a professional intermediary between the importer and the Department and to uphold the integrity of customs procedures. I also note that had they brought the change in classification to the notice of the Department at initial stage, the present case could have been avoided, and the significant revenue loss to the Government exchequer prevented. I find that their conduct in this matter not only facilitated

evasion of customs duty but also violated the fundamental obligations laid down under CBLR, 2018. Therefore, the contention of the Noticee that they did not abet the mis-declaration is without merit and is rejected. Further, as I have already held that the subject goods are liable for confiscation under Section 111(m) of the Customs Act, 1962, I find and hold that M/s. S. M. Enterprise, by their acts of commission and omission, have rendered themselves liable for penalty under Section 112(a)(ii) of the Customs Act, 1962, as well as under Regulation 18(1) of the Customs Brokers Licensing Regulations, 2018. In view of the above findings and legal provisions, I also find that the ratio of the case laws cited by the Noticee is not applicable to the present case, as those pertain to bona fide disputes or procedural lapses, whereas the present case involves willful mis-declaration and suppression of material facts, abetted by the Customs Broker.

**22.** In view of my findings in paras supra, I pass the following order:

**:: ORDER::**

- a) I reject the declared classification of the subject goods, viz. 'CCTV camera spare parts' imported by M/s. K. M. Electronic Cables Private Limited under Customs Tariff Item No. 85299090 (as detailed in Annexure A to the Show Cause Notice) and order to re-classify the said goods under Customs Tariff Item No. 8525 8090 (applicable up to 31.12.2021) and under CTI 8525 8900 (with effect from 01.01.2022) of the First Schedule to the Customs Tariff Act, 1975 and reassess the subject Bills of Entry accordingly;
- b) I confirm the demand of Differential Customs Duty amounting to **Rs. 3,30,90,498/- (Rupees Three Crore, Thirty Lakh, Ninety Thousand, Four Hundred and Ninety Eight only)** as detailed in Annexure-A of the Show Cause Notice leviable on the "imported goods" covered under various Bills of Entry imported by M/s K. M. Electronic Cables Private Limited under Section 28(4) of the Customs Act, 1962 and order to recover the same alongwith applicable interest under Section 28AA of the Customs Act, 1962;
- c) I hold the goods imported during the period under consideration valued at **Rs. 24,45,99,744/- (Rupees Twenty Four Crore, Forty Five Lakh, Ninety Nine Thousand, Seven Hundred and Forty Four only)** liable to confiscation under the provisions of Section 111(m) of the Customs Act, 1962. However, as the goods are not physically available for confiscation, I impose redemption fine of Rs. 2,45,00,000/- (Rupees Two Crore Forty Five Lakh only) in lieu of confiscation under Section 125 of the Customs Act, 1962;
- d) I hold the seized goods valued at **Rs. 1,03,34,752/- (Rupees One Crore, Three Lakh, Thirty Four Thousand, Seven Hundred and Fifty Two only)** imported under Bill of Entry No. 9512314 dated 03.01.2024, liable to confiscation under the provisions of Section 111(m) of the Customs Act, 1962. However, I offer M/s K. M. Electronic Cables Private Limited to redeem the same on payment of a fine of Rs. 10,35,000/- (Rupees Ten Lakh Thirty Five Thousand only) in lieu of confiscation under Section 125 of the Customs Act, 1962;
- e) I impose a penalty of **Rs. 3,30,90,498/- (Rupees Three Crore, Thirty Lakh, Ninety Thousand, Four Hundred and Ninety Eight Only)** on M/s K. M. Electronic Cables Private Limited plus penalty equal to the applicable

interest under Section 28AA of the Customs Act, 1962 payable on the Duty demanded and confirmed at 22 (b) above under Section 114A of the Customs Act, 1962. However, in view of the first and second proviso to Section 114A of the Customs Act, 1962, if the amount of Customs Duty confirmed and interest thereon is paid within a period of thirty days from the date of the communication of this Order, the penalty shall be twenty five percent of the Duty, subject to the condition that the amount of such reduced penalty is also paid within the said period of thirty days;

- f) I order to enforce the bond of Rs. 1,36,00,000/- & bank guarantee No. 050542BG0000224 dated 16.02.2024 for Rs. 13,50,000/- (towards differential duty) and another Bank Guarantee No. 050542BG0000225 dated 16.02.2024 for Rs. 15,00,000/- (as security deposit) executed by them at the time of provisional release of the seized goods towards recovery of Duty, Fine and Penalty as imposed on them;
- g) I refrain from imposing any penalty on M/s. K. M. Electronic Cables Private Limited under Section 112 of the Customs Act, 1962;
- h) I impose a penalty of Rs. 10,00,000/- (Rupees Ten Lakh only) on M/s. K. M. Electronic Cables Private Limited under Section 114AA of the Customs Act, 1962;
- i) I impose a penalty of Rs. 25,00,000/- (Rs. Twenty Five Lakh only) on Shri Khushiram Mahavirmal Ratanchandani, Managing Director of M/s. K. M. Electronic Cables Private Limited under Section 112 (a) (ii) of the Customs Act, 1962;
- j) I impose a penalty of Rs. 10,00,000/- (Rs. Ten Lakh only) on Shri Khushiram Mahavirmal Ratanchandani, Managing Director of M/s. K. M. Electronic Cables Private Limited under Section 114AA of the Customs Act, 1962;
- k) I impose a penalty of Rs. 1,00,000/- (Rs. One Lakh only) on M/s. S M Enterprise (CB Code ABKPJ5436ECH001) under Section 112 (a) (ii) of the Customs Act, 1962;
- l) I impose a penalty of Rs. 50,000/- (Rs. Fifty Thousand only) on M/s. S M Enterprise (CB Code ABKPJ5436ECH001) under Regulation 18(1) of Customs Brokers Licencing Regulations, 2018.

**23.** This order is issued without prejudice to any other action that may be taken under the provisions of the Customs Act, 1962 and rules/regulations framed thereunder or any other law for the time being in force in the Republic of India.

**24.** The Show Cause Notice VIII/10-08/Pr.Commr/O&A/2024-25 dated 16.07.2024 is disposed off in above terms.

(5) RECEIVED  
CUSTOMS (HQ), A'BAD.  
DATE : 25/06/25  
SIGN. :   
NAME : 3.S.P + 2 ND  
DIN: 20250671MN000081829E

  
25.06.2025  
**(Shiv Kumar Sharma)**  
Principal Commissioner,  
Customs, Ahmedabad

Date: 25.06.2025

F. No.VIII/10-08/Pr.Commr/O&A/2024-25

By Speed Post/ By E-mail/ By Hand Delivery/ Through Notice Board:

To,

(1) **M/s. K. M. Electronic Cables Private Limited**, "K. M. House" Nr. C. U. Shah College, Income Tax Circle, Ashram Road Ahmedabad – 380014 –IEC No. 0805015680.

(2) **Shri Khushiram Mahavirmal Ratanchandani**, Managing Director of M/s. K. M. Electronic Cables Private Limited, "K. M. House" Nr. C. U. Shah College, Income Tax Circle, Ashram Road Ahmedabad – 380014.

(3) **M/s. S M Enterprise (CB Code ABKPJ5436ECH001)**, 2, 4, Sunrise Avenue, Commerce Six Road, Shahakar Chemist, Navrangpura, Ahmedabad, Ahmedabad, Gujarat, 380009

**Copy to:**

- (1) The Chief Commissioner of Customs, Gujarat Customs Zone, Ahmedabad.
- (2) The Additional Commissioner, Customs, TRC, HQ, Ahmedabad.
- (3) The Deputy/Assistant Commissioner of Air Cargo Complex, Ahmedabad.
- (4) The Superintendent of Customs (Systems) in PDF format for uploading on the website of Customs Commissionerate, Ahmedabad.
- (5) The RRA, HQ, Ahmedabad Customs.
- (6) Guard File.