CUSTOMS, EXCISE AND SERVICE TAX APPELLATE TRIBUNAL
CHENNAI

REGIONAL BENCH – COURT No. III

Customs Appeal No. 40482 of 2023

(Arising out of Order-in-Original No. 101806/2023 dated 12.05.2023 passed by Principal Commissioner of Customs, Preventive Commissionerate, No. 60, Custom House, Rajaji Salai, Chennai – 600 001)

Mr. Taeyang Metals India Pvt. Ltd. **...Appellant**
No. 131, S.P. Koil Road,
Vadakkupattu Village,
Sriperumbudur,
Kanchipuram - 603 204.

Versus

Principal Commissioner of Customs **...Respondent**
Preventive Commissionerate,
No. 60, Custom House,
Rajaji Salai,
Chennai – 600 001.

APPEARANCE:

For the Appellants : Mr. E. Ramesh, Advocate
For the Respondent : Mr. Anoop Singh, Authorised Representative

CORAM:
HON'BLE MR. P. DINESHA, MEMBER (JUDICIAL)
HON'BLE MR. VASA SESHAGIRI RAO, MEMBER (TECHNICAL)

FINAL ORDER No. 40586 / 2026

DATE OF HEARING : 18.12.2025
DATE OF DECISION : 08.05.2026

Per Mr. VASA SESHAGIRI RAO

The present appeal is directed against Order-in-Original No. 101806/2023 dated 12.05.2023 (hereinafter referred to as "Impugned Order") passed by the Principal Commissioner of Customs, Chennai. The appellant, M/s. Taeyang Metals India Pvt. Ltd., Chennai (hereinafter referred to as "the Appellant/Importer") is engaged in the

manufacture of bolts, nuts and fasteners used in engineering applications and imports raw material described as "Cold Heading Quality Alloy Steel Wire in Coils" of grade SCM435. The appellant filed Bills of Entry declaring the imported goods as "Wire of other alloy steel – Cold Heading Quality Steel Wire" and classified the same under Customs Tariff Heading (CTH) 7229 9090 while claiming the benefit of the applicable exemption Notification No. 152/2009-Cus. dated 31.12.2009 (Sl.No. 576) which attract BCD @5%.

1.2 During the scrutiny of the import documents, the department formed a view that the imported goods were not "wire" but "wire rods" classifiable under CTH 7227, observing that the goods were imported in irregularly wound coils and had not undergone substantial cold drawing process. Relying upon the Mill Test Certificate indicating JIS G4053 grade and SCM435, the department alleged misclassification under CTH 7229 for wrongful availment of exemption under Notification No. 152/2009-Cus. A show cause notice was therefore issued proposing reclassification under CTH 7227 9040 of the Customs Tariff Act, 1975, denial of exemption, recovery of differential duty of Rs. 11,53,83,925/- with interest under Section 28AA, confiscation of the goods under Section 111(m) and imposition of penalties under Sections 112(a) and 114AA of the Customs Act. After adjudication, the

Principal Commissioner confirmed the demand with interest, ordered confiscation of the goods with option for redemption on payment of fine and imposed penalties on the appellant.

2. Aggrieved by the said order, the appellant has filed the present appeal before this Tribunal.

3. The Ld. Advocate Mr. E. Ramesh appeared for the appellant and advanced detailed submissions in support of the appeal. The Ld. Authorized Representative Mr. Anoop Singh appeared for the Revenue and defended the impugned order.

4. The Ld. counsel for the appellant made the following submissions which are summarised as below: -

4.1 The impugned order has erroneously classified the imported goods as "wire rods" ignoring the manufacturing process and the technical characteristics of the product.

4.2 It is submitted that the product imported by the appellant is Cold Heading Quality Steel Wire, which is a specialized material used in the manufacture of fasteners such as bolts, nuts and screws. The product undergoes multiple metallurgical processes including pickling, coating,

spheroidized annealing and cold drawing before being supplied as cold heading quality wire.

4.3 The learned counsel submits that the SAIP (Spheroidized Annealing in Process) mentioned in the mill test certificate is a heat treatment process intended to modify the microstructure of alloy steel to enhance ductility and reduce hardness, thereby making the material suitable for cold forging operations. This process results in a change in physical properties and also reduces the diameter of the material through cold drawing.

4.4 It is further submitted that the BIS certification issued to the supplier clearly describes the product as steel wire and not as wire rod. The BIS certificate issued under the relevant Indian Standards acknowledges the imported product as wire conforming to the applicable quality standards.

4.5 The appellant also submits that the department has relied upon the specification JIS G4053, which relates to chemical composition of chromium molybdenum steel and does not determine the form of the product. The said standard deals with the grade of steel and cannot be used to

conclude whether the product is rod or wire which is the issue for consideration in the appeal.

4.6 It was further submitted that the department's reliance on the opinion of IIT Madras is misplaced. According to the appellant, the expert opinion merely states that the goods are used as cold heading wire rod but does not examine the manufacturing process or the physical characteristics of the imported product in detail.

4.7 The Ld. counsel submits that the essential distinction between wire rod and wire lies in the manufacturing process. Wire rods are hot-rolled semi-finished products which require further cold drawing before becoming wire. In the present case, the imported goods have already undergone spheroidized annealing and cold drawing process and are supplied as finished cold heading quality wire.

4.8 It is therefore submitted that the classification adopted by the appellant under CTH 7229 is correct and the impugned order deserves to be set aside.

5. On the other hand, the Ld. Authorized Representative, Shri Anoop Singh vehemently argued that

the item under import is specifically classifiable under the CTH 72279040 by nomenclature as 'cold heading quality rod'. The grade and specification (SCM 435 equivalent of JIS G 4053) mentioned in the Test/Mill Certificate accompanying the import document clearly indicate that the item is wire rod. The importer has declared the Mill Test specification as G4053. On perusal of G4053- Japanese Industrial Standard translated and published by Japanese Standards Association - shows that the product is Hot Rolled Steel Wire Rods only. The SAIP process, mentioned in the Mill Test Certificate, in the instant case is only a heating process and no wire drawing has been done by cold work substantially. On perusal of G4053 Japanese Industrial Standard translated and published by Japanese Standards Association shows that the product is Hot Rolled Steel Wire Rods only and cold formed Wire would not fall into its ambit. The process SAIP (Spheroidized Annealing in Process) is heating process to achieve good Cold Heading properties and to make fit for cold forming. The importer is a manufacturer of General Engineering goods such as bolts, nuts and fasteners for which raw material is Wire Rods only. Also, as per chapter note 1(0) for the Chapter 72, only cold-formed products in coils are to be considered as wire. Since the imported goods are only raw material for cold work, they cannot be treated as cold-formed products and hence they are to be considered

as Wire Rods and not Wire. The opinion of IIT Madras in letter dated 11.03.2020 is that there has been a minimal reduction in diameter which is done to control dimension tolerance (generally known as skin pass) and remove surface defects that can otherwise lead to failure during subsequent cold head heading process and the goods can be classified as cold headed quality wire rod.

6. Upon consideration of the rival submissions made by the appellant and the Revenue and on perusal of the records of the case, the following issues arise for determination in the present appeal: -

i. Whether the imported goods described as "Cold Heading Quality Alloy Steel Wire in Coils" is classifiable under CTH 7229 as alloy steel wire as declared by the appellant or under CTH 7227 as wire rods as alleged by the department,

ii. Whether the appellant is entitled to the benefit of Notification No. 152/2009-Cus, and consequently whether the demand of differential duty along with interest is sustainable.

iii. Whether the confiscation of the imported goods under Section 111(m) of the Customs Act, 1962 is legally sustainable, and,

iv. Whether the demand is barred by limitation and whether the penalties imposed under Sections 112(a) and 114AA of the Customs Act, 1962 are sustainable.

7. We now proceed to examine the above issues separately.

Issue No. (i): Whether the imported goods are classifiable under CTH 7229 9090 or CTH 7227 9040

8.1 The vital question requiring resolution in this case is whether the item imported by the Appellant is 'wire of other alloy steel' falling under the CTH 72299090 or 'Cold Heading Quality Wire Rod' falling under the CTH 72279040, the final decision of which has the bearing on the concessional duty benefit being claimed by the Appellant by availing the notification based on the country of origin under Sl. No. 576 of the Notification of Customs No. 152/2009 dated 31.12.2009, as per which the Basic Customs Duty is 5%. The answer to the above can be attempted by referring to the scheme of classification read with Section, Chapter and HSN Explanatory Notes that offer a safe guide in arriving at right classification and the rest is the actual industry practice that uses a particular item as a raw material in the cold heading forming industry.

8.2 The competing entries in the case are the CTH 72279040 as confirmed by the Respondent Department and the CTH 72299090 as declared / claimed by the appellant. These two entries along with its corresponding Section, Chapter and HSN Explanatory Notes are reproduced as below for comparison and ready reference purposes.

"***Chapter 72***
Iron and Steel

Notes:

1. In this Chapter and, in the case of Notes (d), (e), and (f) throughout this Schedule, the following expressions have the meanings hereby assigned to them:

(a) ….

(b) ….

…..

(l) Bars and rods, hot-rolled, in irregularly wound coils:
Hot-rolled products in irregularly wound coils, which have a solid cross-section in the shape of circles, segments of circles, ovals, rectangles (including squares), triangles, or other convex polygons (including "flattened circles" and "modified rectangles", of which two opposite sides are convex arcs, the other two sides being straight, of equal length and parallel). These products may have indentations, ribs, grooves or other deformations produced during the rolling process (reinforcing bars and rods).

…

...

(o) Wire
Cold-formed products in coils, of any uniform solid cross-section along their whole length, which do not conform to the definition of flat-rolled products."

7227		**BARS AND RODS, HOT-ROLLED, IN IRREGULARLY WOUND COILS, OF OTHER ALLOY STEEL**	
7227 10 00	-	Of high speed steel	kg.
7227 20 00	-	Of silico-manganese steel	kg.
7227 90	-	*Other :*	
7227 90 10	---	Valve spring steel quality	kg.
7227 90 20	---	Other spring steel quality	kg.
7227 90 30	---	Ball bearing quality	kg.
7227 90 40	---	Cold heading quality	kg.
7227 90 50	---	Lead-free cutting quality	kg.
7227 90 60	---	Sulphur free cutting quality	kg.
7227 90 90	---	Other	kg.

Department's Classification

7229		**WIRE OF OTHER ALLOY STEEL**	
7229 20 00	-	Of silico-manganese steel	kg.
7229 90	-	*Other :*	
	--	*Tinned wire, bronze coated wire, trapezoidal wire, half round wire, crimped wire and copper coated wire, not insulated :*	
7229 90 11	----	Tinned wire	kg.
7229 90 12	----	Bronze coated wire	kg.
7229 90 13	----	Trapezoidal wire	kg.
7229 90 14	----	Half round wire	kg.
7229 90 15	----	Crimped wire	kg.
7229 90 16	----	Copper coated wire	kg.
	---	*Electrode quality, wire rope quality and ACSR quality not insulated :*	
7229 90 21	----	Electrode quality	kg.
7229 90 22	----	Wire rope quality	kg.
7229 90 23	----	ACSR quality	kg.
	---	*Wire (excluding wire type lead), spring, high tensile, hardened and tempered wires, not insulated :*	
7229 90 31	----	Wire (excluding wire type lead)	kg.
7229 90 32	----	Spring wire	kg.
7229 90 33	----	High tensile wire	kg.
7229 90 34	----	Hardened and tempered wire	kg.
7229 90 40	---	Other wire	kg.
	---	Shaped and profiled wires of cross-section :	
7229 90 51	----	Half round	kg.
7229 90 52	----	Flat and rectangular	kg.
7229 90 53	----	'L' shape	kg.
7229 90 54	----	'Z' shape	kg.
7229 90 59	----	Other	kg.
7229 90 60	---	Electric resistance wire (including electric resistance heating wire)	kg.
7229 90 70	---	Crimped wire	kg.
7229 90 90	--	Other	kg.

Appellant's Classification

HSN Explanatory Note:

Bars and rods, hot-rolled, in irregularly wound coils, are defined in Note 1 (l) to this Chapter.

These products (also known as wire rod) are mainly used for drawing into wire (heading 72.17) but they are also used for other purposes especially in building work (e.g., as welded netting), in the nut and bolt industry, in the cold-drawing industry, etc., and for the manufacture of welding rods.

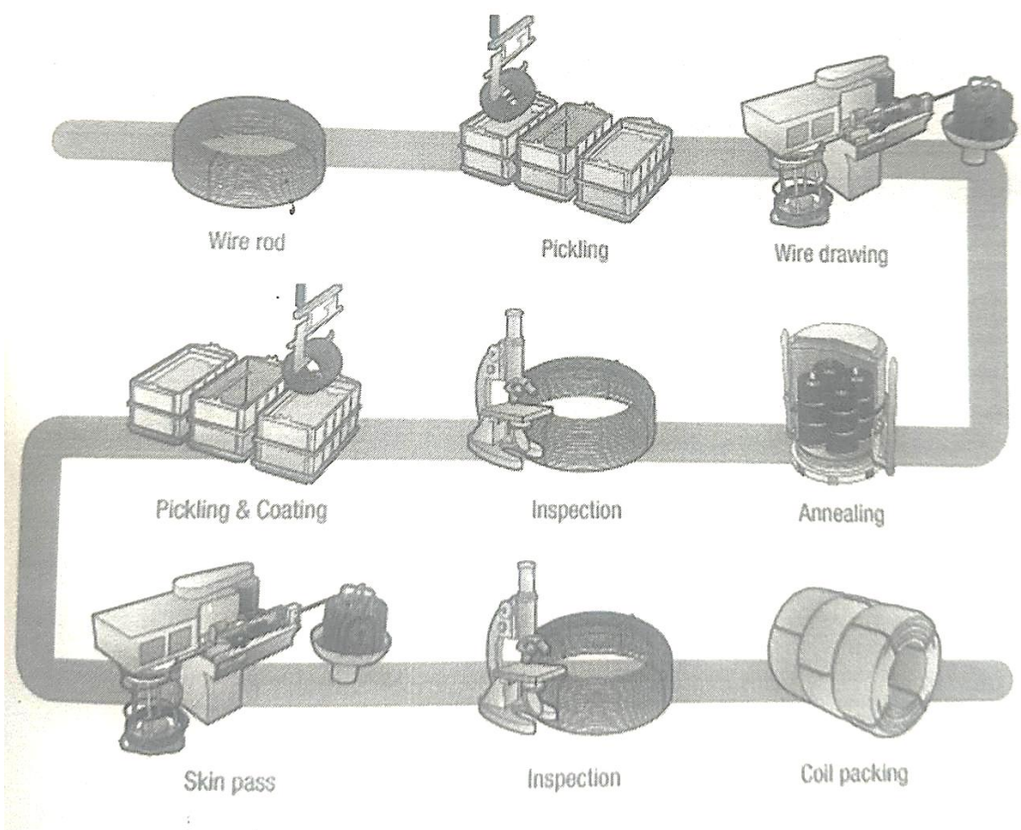
The heading also includes bars and rods for concrete reinforcement; such products are rolled with protuberances indentations (e.g., teeth, grooves, flanges), provided their general cross-sectional shape corresponds to one of the geometrical shapes defined in Chapter Note 1 (l). These protuberances or indentations must be designed solely to improve the bond with concrete etc.

The heading does not cover bars and rods of this kind, straightened and cut to length (heading 72.14).”

8.3 The general scheme of classification in customs tariff is in consonance with the progressive evolution or development of the products from one level to the next level and the issue on hand is no exception to this scheme. This is obvious from the placing of 'rod' under the entry 7227 much above the entry for 'wire' (7229). This further points to the fact that the rod is subjected to further processes, however nuanced, to make it a 'wire'. A close reading of Section and Chapter Note to the competing entries does not point to any major difference between 'rod' and 'wire'. However, the HSN Explanatory Note to the Chapter Headings 7227 given above clearly indicates that the products falling under 7227, also known as 'wire rod' are mainly used for drawing into 'wire'. Similarly, Chapter Note to Chapter 72 pertaining to wire defines wires as *'Cold-formed products in coils, of any uniform solid cross-section, along their whole length, which do not conform to the definition of flat-rolled products'*. The corresponding HSN Explanatory Note offers more expansive definition of wire by stating that *'Wire is mostly produced from hot-rolled bars and rods of heading 72. 13 by drawing*

them through a die but may also be obtained by any other cold-forming process (e.g., cold-rolling)'. From the above it is clear that in order to be classified under the CTH 7229, the hot rolled rod should have undergone the process of drawing through a die or by any other cold forming process. With this in the background, we have proceeded to examine the nature of input materials imported and used in the manufacture of final products in the appellant's premises.

8.4 The appellant placed on record the catalogue of the supplier M/s. Hyundai Special Steel, and vouched for its authenticity. The catalogue pertaining to Cold Heading Quality (CHQ) Wire describes the following manufacturing process: -



The above processes clearly indicate that the input material used in the CHQ Wire making process is 'wire rod' and the same undergoes wire drawing process after pickling and subsequent processes like annealing etc. **What is important to notice is that the wire rod is drawn into wire.**

8.5 Thus, the process involved in the making of wire from the rod is a cold drawing process and the wire making process is in complete alignment with the processes envisaged in the Section/Chapter/HSN Notes to the Chapter Heading 7229 and accordingly, it seems that the item imported by the appellant is wire and not wire rod as alleged in the notice issued.

9.1 One of the major contentions of the Department is that the grades and processes mentioned in the import documents and Mill Certificate clearly point to the fact that the item under dispute is wire rod, rather than wire as claimed by the appellant. However, the grade SCM 435 and the heat treatment process SAIP mentioned in the import documents and mill certificates have been perused. We notice the commodity description mentioned is “Cold Heading Quality Wires”.

9.2 On the issue of mentioning SCM 435 in the Mill Certificate produced, the appellant has submitted that "SCM 435 is a Japanese JIS standard chromium-molybdenum alloy steel frequently used for high-strength bolts and machine parts. The SCM 435, one of thirty-five sub-classification of JIS G 4053, belongs to chromium-molybdenum steel and applicable to cold heading quality steel bars and wire rod, etc. There is no doubt that this grade is for various steel products including wire rods. What is to be borne in mind is that SCM 435 grade wire rod has been used to draw wire and hence the properties of wire rod is getting carried to the wire so drawn and necessitated mentioning of the said grade in the mill certificate. This does not make what has been supplied under the mill's certificates mentioning SCM 435 a wire rod. Wire rod is the input material to manufacture wire. The denotation of SCM 435 in the Mill certificate is to convey that the wires are manufactured out of wire rods of SCM 435 grade and nothing else. It can, in no way connote that mentioning of SCM 435 must necessarily lead to the conclusion that the item is wire rod. The appellant has shown clearly that the supplier has used CHQ Wire rod to draw wire and the wire rod is of SCM 435 grade. The mill certificate too legibly mentions the description of item as Cold Heading Quality Wire connoting that the wires are made from SCM 435 grade wire rod and nothing else". Hence, after

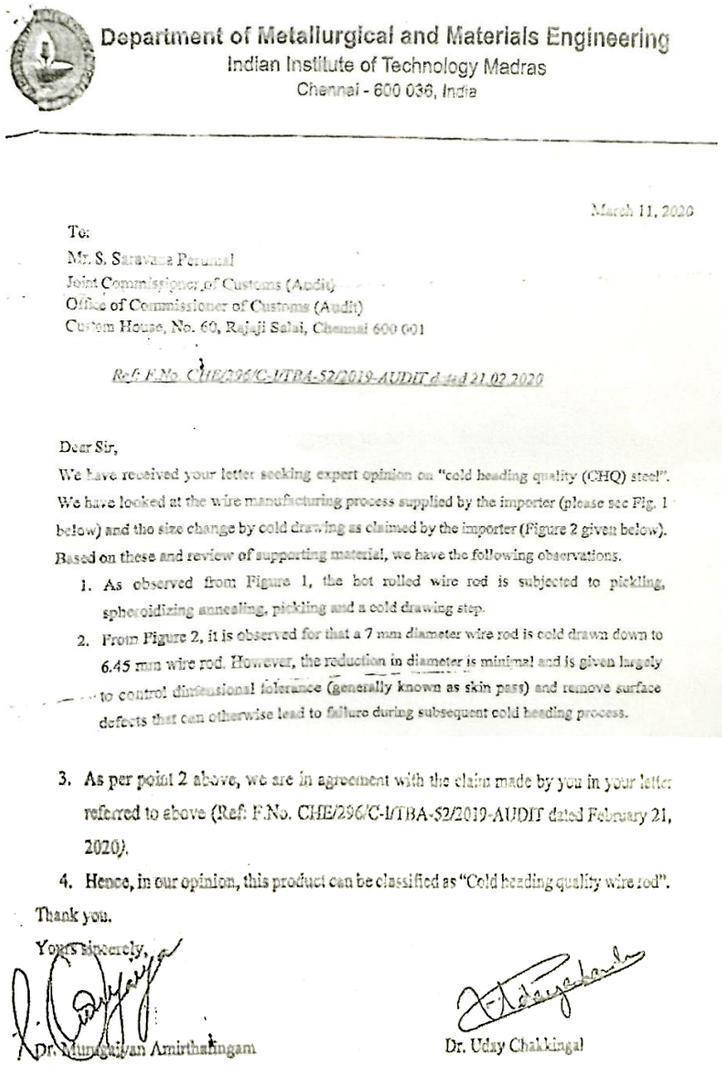
considering the above submissions of the appellant, we are unable to accept the argument of the Department that mentioning of SCM 435 in the mill certificate must mean that the item imported is wire rod and not wire.

9.3 Another contention of the Department is that SAIP mentioned in the mill certificate suggest that the goods have undergone SAIP (Spheroidized Annealing in Process) which is a heating process to achieve good Cold Heading properties and to make it fit for cold forming and hence it is not cold work. We are unable to agree with this argument because the Department has wrongly equated the heat treatment process such as the SAIP with that of the cold work. Annealing is a heat treatment process that changes the physical and sometimes also the chemical properties of a material to increase ductility and reduce the hardness to make it more workable. The annealing process requires the material above its recrystallization temperature for a set amount of time before cooling. It has been submitted that spheroidizing or a spheroidizing anneal is a process where the lamella of pearlite consisting of iron carbide or Fe3C is transformed to spheres of iron carbide. The resulting matrix is now ferrite with spheres of cementite, instead of pearlite, which is a matrix of ferrite with lamella of cementite. Below the lower critical temperature, the diffusion of carbon is slow, so long times are required to spheroidize the cementite

lamella. The primary reason for spheroidizing is to produce a very ductile steel suitable for deep forming or forming in complex shapes. On the other hand, cold working is any metalworking process in which metal is shaped below its recrystallization temperature, usually at the ambient temperature at or near room temperature. Such processes are contrasted with hot working techniques like hot rolling, forging, welding, etc. Hence, the SAIP mentioned in the mill certificate connotes that the wire, after drawn from the input wire rod in the supplier’s factory, undergone the process of annealing, specially, SAIP to make it suitable for cold heading processes such as the bolt making in the appellant's premises. The wire drawing processes mentioned supra clearly indicate the SAIP processes has been carried out on the wire rod and in fact, after the cold work in the form of wire drawing. Hence, we find no merits in the argument of the Department on this count also.

9.4 It was submitted by the Ld. Authorized Representative Mr. Anoop Singh that the expert opinion from the IIT, Madras supports their point that the impugned item is wire rod and not the wire as contented by the appellant. On the other hand, the appellant argued that the expert opinion from the IIT is totally unscientific and not based on any empirical test results. The appellant further contented that the opinion has been obtained behind their back and the

same is purely based on the limited materials submitted by the Department. Before proceeding to examine the contentions raised by both the parties, it is necessary to reproduce the IIT expert opinion as below: -



Department of Metallurgical and Materials Engineering
Indian Institute of Technology Madras
Chennai - 600 036, India

March 11, 2020

To:
Mr. S. Saravana Perumal
Joint Commissioner of Customs (Audit)
Office of Commissioner of Customs (Audit)
Custom House, No. 60, Rajaji Salai, Chennai 600 001

Ref: F.No. CHE/296/C-I/TBA-52/2019-AUDIT dated 21.02.2020

Dear Sir,

We have received your letter seeking expert opinion on "cold heading quality (CHQ) steel". We have looked at the wire manufacturing process supplied by the importer (please see Fig. 1 below) and the size change by cold drawing as claimed by the importer (Figure 2 given below). Based on these and review of supporting material, we have the following observations.

1. As observed from Figure 1, the hot rolled wire rod is subjected to pickling, spheroidizing annealing, pickling and a cold drawing step.
2. From Figure 2, it is observed for that a 7 mm diameter wire rod is cold drawn down to 6.45 mm wire rod. However, the reduction in diameter is minimal and is given largely to control dimensional tolerance (generally known as skin pass) and remove surface defects that can otherwise lead to failure during subsequent cold heading process.
3. As per point 2 above, we are in agreement with the claim made by you in your letter referred to above (Ref: F.No. CHE/296/C-I/TBA-52/2019-AUDIT dated February 21, 2020).
4. Hence, in our opinion, this product can be classified as "Cold heading quality wire rod".

Thank you.

Yours sincerely,

Dr. Murugaiyan Amirthalingam

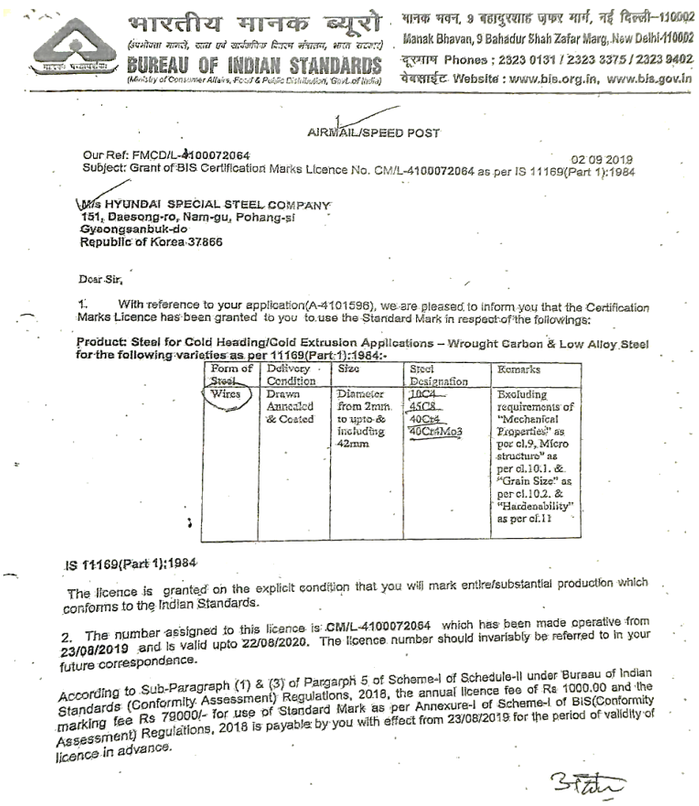
Dr. Uday Chakkingal

In this connection, it is the argument of the appellant that the same is purely based on the subjective opinion of the faculties on the basis of material supplied by the Department, rather than based on any technical or scientific data. Further, it is submitted that the kind of materials supplied to the experts were not made available to the appellant. Even from the details available in the expert

opinion, it can be inferred that the wire rod is subjected to processes like pickling, spheroidized annealing, again pickling and a cold drawing step. Here, the opinion fairly accepts that the wire rod has undergone 'cold drawing process'. Next, it is opined by the experts that the reduction in diameter is minimal and the same is done to control the dimensional tolerance in order to aid cold heading process. We find this observation that admits that there is a limited wire drawing process. The observation that the reduction in diameter after wire drawing is minimal would not aid the Department’s contention that after wire drawing which is admittedly minimal could not make the product ‘wire rod’. While the appellant has demonstrated that the wire rod has been drawn into wire by cold drawing process in the supplier's factory, neither the Department nor the experts have attempted to show that miniscule reduction in diameter through cold drawing process would not qualify the subject item as wire. The appellant argued that degree of reduction in diameter is not the criteria to define whether a cold drawn product is a wire or not, rather, it is the process that will decide whether an item is drawn into wire or not. We agree with the appellant, especially when it is shown that the wire rod is drawn into wire at the supplier's factory and the item is imported as CHQ wire and the same is not disputed. In

view of the above we are unable to accept the IIT expert on the issue of classification of imported product.

9.5 One of the arguments of the Appellant in support of their classification is that their supplier is registered with Bureau of Indian Standards (BIS) under Mandatory BIS Registration scheme which is in vogue. M/s. Hyundai Special Steel, South Korea based supplier has been issued with a registration certificate given as under and all the imports necessarily accompany the License Number along with IS Marking on the cargo: -



भारतीय मानक ब्यूरो
(उपभोक्ता मामले, खाद्य एवं सार्वजनिक वितरण मंत्रालय, भारत सरकार)
BUREAU OF INDIAN STANDARDS
(Ministry of Consumer Affairs, Food & Public Distribution, Govt. of India)

मानक भवन, 9 बहादुरशाह ज़फर मार्ग, नई दिल्ली–110002
Manak Bhavan, 9 Bahadur Shah Zafar Marg, New Delhi-110002
दूरभाष Phones : 2323 0131 / 2323 3375 / 2323 9402
वेबसाईट Website : www.bis.org.in, www.bis.gov.in

AIR MAIL/SPEED POST

Our Ref: FMCD/L-4100072064 02.09.2019
Subject: Grant of BIS Certification Marks Licence No. CM/L-4100072064 as per IS 11169(Part 1):1984

M/s HYUNDAI SPECIAL STEEL COMPANY
151, Daesong-ro, Nam-gu, Pohang-si
Gyeongsanbuk-do
Republic of Korea 37866

Dear Sir,

1. With reference to your application(A-4101596), we are pleased to inform you that the Certification Marks Licence has been granted to you to use the Standard Mark in respect of the followings:

Product: Steel for Cold Heading/Cold Extrusion Applications – Wrought Carbon & Low Alloy Steel for the following varieties as per 11169(Part 1):1984:-

Form of Steel	Delivery Condition	Size	Steel Designation	Remarks
Wires	Drawn Annealed & Coated	Diameter from 2mm to upto & including 42mm	10C4 45C4 40Cr4 40Cr4Mo3	Exclusing requirements of "Mechanical Properties" as per cl.9, Micro structure" as per cl.10.1. & "Grain Size" as per cl.10.2. & "Hardenability" as per cl.11

IS 11169(Part 1):1984

The licence is granted on the explicit condition that you will mark entire/substantial production which conforms to the Indian Standards.

2. The number assigned to this licence is CM/L-4100072064 which has been made operative from 23/08/2019 and is valid upto 22/08/2020. The licence number should invariably be referred to in your future correspondance.

According to Sub-Paragraph (1) & (3) of Pargarph 5 of Scheme-I of Schedule-II under Bureau of Indian Standards (Conformity Assessment) Regulations, 2018, the annual licence fee of Rs 1000.00 and the marking fee Rs 79000/- for use of Standard Mark as per Annexure-I of Scheme-I of BIS(Conformity Assessment) Regulations, 2018 is payable by you with effect from 23/08/2019 for the period of validity of licence in advance.

It was the submission of the Appellant that the License issued by the Quality Control Organization such as the BIS clearly mentions the form of steel as 'wires' and delivery condition as 'drawn', thus strengthening the appellant case to prove what is under import is wire and the same qualify

its classification under the CTH 72299090. We find considerable force in this argument especially when the BIS officials on due verification of the manufacturing processes and examination of the item clearly certified the item as 'wire' and one of the processes undergone by the product was 'drawing'. This, we consider as one of the irrefutable documentary proof issued by a government institution and also remind us of the legal maxim, '*Argumentum ab auctoritate fortissimum est in lege*' - An argument drawn from authority is the strongest in law.

9.6 During the course of the arguments, the Ld. Counsel for the Appellant made additional submissions stating that sometimes, the Appellant procures wire rod domestically from M/s. Mukund Steels under the HS Code 7227 and sends it to M/s. Xact Special Steels Private Limited (job worker) for wire drawing purposes and placed few sample invoices and photographs from the domestic supplier of wire rod and the job worker on record. After the wire rod is made into wire in the factory premises of M/s. Xact Special Steels, the same is brought to Appellant’s factory as wire under the HS Code 7229. We have perused those documents and found the claim of the Appellant to be true. What emerges from the above is that the Appellant do not carry out wire drawing in their factory premises and input material for cold heading bolt making is received in the form of wire,

both in the case of import and domestic procurement. The fact that the input for cold heading bolt making is 'wire' is supported by the absence of wire drawing facility at the Appellant's premises as well as the proofs adduced as above. In these facts and circumstances and in the absence of any contrary claim by the Respondent, we hold that the item imported by the Appellant is 'wire' falling under the HS Code 7229 and not 'wire rod' classifiable under 7227.

9.7 Further, we find that the distinction between wire rods and wire is clearly recognized in the HSN explanatory notes to Chapter 72. Wire rods are hot-rolled semi-finished products whereas wire is obtained by drawing rods through dies so as to reduce their cross-section and achieve the desired mechanical properties. The appellant has demonstrated that the imported material has undergone spheroidized annealing followed by cold drawing which fundamentally alters the microstructure and mechanical properties of the steel. Such metallurgical processing is characteristic of finished wire used in cold heading applications. The department, on the other hand, has not produced any metallographic examination or laboratory report establishing that the goods remain hot-rolled wire rods. The departmental conclusion appears to be based primarily on the mill test certificate referring to JIS G4053 specification and the appearance of the goods in coils.

However, JIS G4053 merely specifies the chemical composition of chromium-molybdenum steel and does not determine the physical form of the product. We have been informed that the same steel grade may exist in the form of bars, rods, wire or forgings dezpending upon the stage of manufacture.

9.8 The Hon'ble Supreme Court has consistently held that classification must reflect the essential character and common trade understanding of the product. In *CCE v. Connaught Plaza Restaurant Pvt. Ltd. – 2012 (286) E.L.T. 321 (S.C.),* it was held that classification must reflect the common trade understanding of the goods. Applying these principles, we find that the material imported by the appellant is recognized in the fastener industry as cold heading quality steel wire used directly for manufacturing bolts and nuts. Once the product acquires the characteristics of cold heading quality wire, it cannot continue to be regarded as a hot-rolled rod.

9.9 It is also well settled that the burden of establishing that the classification declared by the importer is incorrect lies upon the department. In *HPL Chemicals Ltd. v. Commissioner of Central Excise – 2006 (197) E.L.T. 324 (S.C.),* the Hon'ble Supreme Court held that when the department seeks to alter the classification adopted by the assessee, the burden lies upon the department to prove that

the classification declared by the assessee is incorrect. In the present case, the department has not produced any technical evidence demonstrating that the imported goods are hot-rolled wire rods rather than cold drawn wire.

10.1 In view of the tariff provisions, metallurgical processes, technical documentation and judicial precedents discussed above, we find that the imported goods described as Cold Heading Quality Alloy Steel Wire in Coils – Grade SCM435 possess the essential characteristics of alloy steel wire obtained through cold drawing processes. The goods are therefore correctly classifiable under Customs Tariff Heading 7229 9090 as declared by the appellant and not under Heading 7227 as alleged by the department. Issue No. (i) is accordingly decided in favour of the appellant.

Issue No. (ii) Whether the appellant is entitled to the benefit of Notification No. 152/2009-Cus, and consequently whether the demand of differential duty along with interest is sustainable.

10.2 We find that the denial of exemption under Notification No. 152/2009-Cus and the consequential demand of differential duty amounting to Rs. 11,53,83,925/- confirmed in the impugned order arise solely from the department's conclusion that the imported goods are classifiable under Heading 7227 rather than Heading 7229. However, in the preceding discussion we have already held that the goods are correctly classifiable under Heading 7229 as declared by the appellant. Once the very basis for

reclassification fails, the foundation for denial of exemption and confirmation of duty demand necessarily collapses. It is also pertinent to note that the department has not alleged that the appellant has violated any of the conditions prescribed under Notification No. 152/2009-Cus.

10.3 The Hon'ble Supreme Court in *Commissioner of Customs v. Dilip Kumar & Co. – 2018 (361) E.L.T. 577 (S.C.)* has held that exemption notifications must be interpreted strictly with respect to eligibility conditions. At the same time, once the assessee satisfies the conditions prescribed in the notification, the benefit thereof cannot be denied. Further, in *Hindustan Zinc Ltd. v. Commissioner of Central Excise – 2014 (303) E.L.T. 321 (S.C.),* the Hon'ble Supreme Court held that where the foundation of a demand fails, the entire demand must necessarily fail.

10.4 Since we have already concluded that the imported goods are correctly classifiable under Heading 7229 and the appellant satisfies the requirements of Notification No. 152/2009-Cus, the denial of exemption and the demand of differential duty along with interest under Section 28AA of the Customs Act cannot be sustained. Issue No. (ii) is therefore decided in favour of the appellant.

Issue Nos. (iii) and (iv) on Confiscation, Limitation and Penalties

11.1 The proposals relating to confiscation of the imported goods under Section 111(m) of the Customs Act, 1962 and the imposition of penalties under Sections 112(a)

and 114AA arise entirely from the allegation that the appellant had misclassified the imported goods and thereby wrongly availed the benefit of the exemption notification.

11.2 Once the classification adopted by the appellant under Heading 7229 has been held to be correct and the benefit of Notification No. 152/2009-Cus has been found to be admissible, the very basis of the allegations contained in the show cause notice ceases to exist. Consequently, the allegation of misdeclaration under Section 111(m) cannot be sustained and the confiscation of the goods ordered in the impugned order is not legally sustainable.

11.3 The penalties imposed under Sections 112(a) and 114AA are entirely consequential to the allegation of misclassification and wrongful availment of exemption. Once the primary allegation itself fails, the penalties imposed under these provisions cannot survive. Since the demand of differential duty itself does not survive on merits, the question relating to limitation and invocation of the extended period becomes largely academic. Nevertheless, we note that the dispute in the present case pertains to the classification of goods and interpretation of tariff entries, and there is no material on record to establish suppression, misdeclaration or wilful misstatement on the part of the appellant. Consequently, the invocation of the extended period of limitation would in any case not be sustainable.

12. In view of the foregoing discussion and findings, we hold that the imported goods described as "Cold Heading Quality Alloy Steel Wire in Coils – Grade SCM435" are correctly classifiable under Customs Tariff Heading 7229 as declared by the appellant. Consequently, denial of exemption under Notification No.152/2009-Cus is not justified.

13. One of the arguments of the Appellant is that the differential duty quantification has been done erroneously by adding the differential duties in respect of warehousing bills of entry, thus making the duty demand as well as adjudication liabilities almost double. The appellant has also argued against the very issuance of Show Cause Notice under Section 28(4) of the Customs Act, and consequent imposition of fine and penalties citing that the ingredients of suppression, collusion or wilful misstatement is not made out anywhere. We are not inclined to go into these aspects of the matter because of our observations above that weigh in favour of the appellant. As such the demand of differential duty along with interest as confirmed in the impugned Order-in-Original No. 101806/2023 dated 12.05.2023 is not sustainable. So ordered accordingly.

14. The confiscation of the imported goods ordered under Section 111(m) of the Customs Act, 1962 and the penalties imposed under Sections 112(a) and 114AA of the Customs Act are not tenable.

15. Thus, the impugned Order-in-Original No. 101806/2023 dated 12.05.2023 passed by the Principal Commissioner of Customs, Chennai, is accordingly set aside.

16. The appeal filed by the appellant is allowed with consequential relief, if any, in accordance with law.

(Order pronounced in open court on 08.05.2026)

Sd/-
(VASA SESHAGIRI RAO)
MEMBER (TECHNICAL)

Sd/-
(P. DINESHA)
MEMBER (JUDICIAL)

MK