CUSTOMS, EXCISE AND SERVICE TAX APPELLATE TRIBUNAL
HYDERABAD

REGIONAL BENCH - COURT NO. – I

Customs Appeal No. 22571 of 2014
(Arising out of **Order-in-Appeal** No.14/2014 (G) CUS dated 19.05.2014 passed by Commissioner of Customs, Central Excise & Service Tax (Appeals), Guntur)

M/s Kanishk Steel Industries Ltd., .. **APPELLANT**
Old No.4, New No.7,
Thiru Vi Ka 3rd Street,
Royapettah High Road,
Mylapore, Chennai,
Tamil Nadu – 600 004.

VERSUS

Commissioner of Customs .. **RESPONDENT**
Vijayawada – Customs
D.No. 55-17-3, 2nd Floor,
C-14, Road No. 2,
Industries Estate, Vijayawada,
Andhra Pradesh – 520 007.

APPEARANCE:
Shri Dr. L. Venkateswara Rao, Advocate for the Appellant.
Shri Kakarala Prasanth Kumar, Authorized Representative for the Respondent.

CORAM: HON'BLE Mr. A.K. JYOTISHI, MEMBER (TECHNICAL)
HON'BLE Mr. ANGAD PRASAD, MEMBER (JUDICIAL)

FINAL ORDER No. A/30465/2026

Date of Hearing: 21.07.2026
Date of Decision: 17.08.2026

[ORDER PER: ANGAD PRASAD]

The present appeal is directed against impugned Order-in-Appeal No. 14/2014 (G) CUS dated 19.05.2014 passed by the Commissioner (Appeals), whereby, the appeal filed by the appellant against the Assessment order passed by the Assistant Commissioner of Customs, Krishnapatnam Port has been rejected.

2. The brief facts of the case are that the appellant exported two consignments of iron ore fines to M/s Devi Resources Ltd., Hong Kong under shipping bill Nos. 898/11-12 and 974/11-12 dated 16.08.2011 and

20.08.2011 respectively from Krishnapatnam Port. The exports were made pursuant to Contract No.DRL/KSL/101/S-2011, dated 29.07.2011. The Shipping Bills were provisionally assessed under Section 18 of the Customs Act, 1962.

3. Against the quantity of 28,000 MT declared in the shipping bills, the appellant actually exported 26,400 MT of iron ore fines. The contract provided for adjustment of the base price depending upon percentage of Fe content and also provided for deductions/penalties depending upon excess Alumina, Silica, Phosphorus and Sulphur content. The contract further stipulated that the weight and quality of the goods at the loading port would be determined through prescribed inspection agencies and that the invoices would initially be based upon the load-port results. However, the destination/CIQ results were stipulated to be final for determining the contractual price. At the load-port, M/s Mitra SK (P) Ltd., reported Moisture content at 7.87%, Fe content 53.80%, Alumina at 5.46% and Silica at 9.76%. While finalizing the provisional assessments, the Assistant Commissioner relied upon the CRCL report, regarding to which the Fe content was stated to be 54.93% and Moisture content 6.9%. On that basis, the assessable value was recomputed. For the other parameters, namely Alumina and Silica, however, the authority relied upon the report of M/s Mitra SK (P) Ltd. It is the case of the appellant that the CRCL report relied upon for finalization of assessment was neither supplied to it nor was any Show Cause Notice issued proposing rejection of the required/final transaction value. The appeal preferred before the Commissioner (Appeals), was rejected. Hence, present appeal.

4. Learned Counsel for the appellant submits that the final transaction value agreed between the final buyer and the appellant is governed by the contract. The price depended upon the final quality parameters and the amount actually realized from the buyer. It is submitted that the Department has not alleged that the appellant received any amount over and above the value reflected in the final invoice and Bank Realization Certificate.

5. Learned Counsel further submits that in terms of Rule 3 of the Customs valuation (Determination of Value of Export Goods) Rules, 2007, the transaction value is the primary basis for determination of export value. Unless the declared transaction value is rejected in accordance with law, recourse cannot straightaway be taken to another national value. Reliance has been placed upon Commissioner of Customs (Export), Goa Vs V.G.M. Exports, 2013 (291) E.L.T. 572 (Tri.-Mumbai), Essel Mining and Industries Ltd., Vs Commissioner of Customs, Bhubaneswar, (2026) 40 CENTAX 91 (Tri.-Cal.), Atha Mines Pvt Ltd., Vs Commissioner of Customs, Visakhapatnam (2026) 40 CENTAX 89 (Tri.-Hyd) and Vibutigudda Mines Pvt Ltd., Vs Commissioner of Customs, Vijayawada (2026) 40 CENTAX 94 (Tri.-Hyd).

6. Learned Authorized Representative reiterates the impugned order and submits that the Customs Authority were justified in determining the value on the basis of the test report obtained by the Department while finalizing the provisional assessment.

7. We have considered the rival submissions and perused the records.

8. The issue which arises for determination is whether, for the purpose of finalization of provisional assessment of the exported iron ore fines, the

authorities were justified in enhancing the assessable value of the basis CRCL analysis, notwithstanding the contractual price final and settled with the foreign buyer and the amount actually realized by the appellant.

9. Section 14 of the Customs Act, 1962 recognizes the transaction value, namely the price actually paid or payable for the goods when sold for export from India, subject to the statutory conditions. The Customs valuation (Determination of Value of Export Goods) Rules, 2007 also may transaction value the primary basis for valuation. In the present case, there is no allegation that the appellant and the foreign buyer are related. There is also no finding that price was not the sole consideration for the sale. Most importantly, there is no allegation or evidence that the appellant received any amount in excess of what was reflected in the final commercial invoice or Bank Realization Certificate.

10. The issue is substantially covered by the decision in the V.G.M Exports, supra. In that case also, iron ore was exported under provisional assessment and the dispute related to valuation based upon quality parameters. The Mumbai Tribunal held, in substance, that where the buyer and seller were unrelated and there was no evidence of realization of any amount beyond final invoice value, the amount actually realized as evidenced by the final invoice and bank certificate constituted the transaction value on which export duty had to be discharged. The ratio of V.G.M Exports, supra, squarely applies to the facts of the present case. The contract itself contemplated valuation in the price depending upon the quality parameters and provided that the ultimate result could govern the final contractual settlement. Therefore, the price was not an arbitrary post-existing reduction

but a price determinable in accordance with the pre-existing contractual mechanism.

11. The laboratory report may undoubtedly be relevant for establishing the composition or quality of the goods. However, the test result by itself cannot substitute the transaction value with a hypothetical value unless the requirements for rejection of the transaction value under the Valuation of Rules are satisfied. The Department cannot, merely because the Fe content found in the Department laboratory is higher, presume that the exporter has received correspondingly higher consideration from the overseas buyer. The taxable event is export, but valuation under Section 14 continues to be governed by the price actually paid or payable, subject to the statutory valuation provisions. This principal has subsequently been followed in similar iron ore export matters. In Vibutigudda Mines Pvt Ltd., supra, this Tribunal considered V.G.M Exports and reiterated that the final invoice and realization have material relevance to transaction value in the absence of evidence of additional consideration. Similarly in Atha Mines Pvt Ltd., supra, this Tribunal dealt with the same line of controversy and noticed V.G.M Exports, supra, while considering the acceptability of the final invoice/BRC value. In the case of Essel Mining and Industries Ltd., supra, the Tribunal Kolkata held in the context of export of iron ore that export duty should conform to the final invoice where the contractual price was dependent upon Fe content as finally Department in accordance with the contract.

12. We further find merit in the appellant’s contention regarding the finalization of assessment. If the Department intended to reject the declared transaction value and adopt a different value having adverse civil consequences, the basis for doing so ought to have been disclosed to the

appellant and a reasonable opportunity afforded to meet the material relied upon. A test report which is relied upon against an assessee cannot ordinarily be kept undisclosed while forming the foundation of an adverse assessment.

13. There is another inconsistency in the approach adopted by the Adjudicating Authority. While CRCL report was relied upon for Fe and moisture content, the load-port report of M/s Mitra SK (P) Ltd., was relied upon for Alumina and Silica. No satisfactory reason is forth coming as to why for different reports were selectively adopted for different parameters for the purpose of valuation. More fundamentally, even assuming the CRCL result correctly represented the Fe content, that by itself would not establish for the foreign buyer paid or was liable to pay a higher price than the amount ultimately settled under the contract. For enhancement of assessable value, there must be a legally sustainable basis to reject the transaction value. No such basis has been demonstrated in the present case. The Revenue has also not produced any evidence of additional remittance, side-payment, flow-back or any other consideration received by the appellant over and above. The amount in the final invoice and realized through the banking channel.

14. In these circumstances, the ratio of V.G.M Exports becomes directly applicable. The transaction value represented by the final invoice and supported by the Bank Realization Certificate cannot be discarded merely on the basis of notional computation founded upon a laboratory determination of Fe content.

15. Accordingly, we hold that the enhancement of the assessable value adopted by the Lower Authorities is not sustainable. The provisional assessments are required to be finalized on the basis of genuine final

transaction value actually realized by the appellant, subject, of course, to verification of the final invoice, Bank Realization Certificate and other relevant export documents.

16. Consequently, the impugned Order-in-Appeal is set aside and appeal is allowed with consequential relief, if any, in accordance with law.

(Pronounced in the open court on 17.08.2026)

(A.K. JYOTISHI)
MEMBER (TECHNICAL)

(ANGAD PRASAD)
MEMBER (JUDICIAL)

Shirisha