CUSTOMS, EXCISE AND SERVICE TAX APPELLATE TRIBUNAL, CHENNAI
REGIONAL BENCH, COURT No. I

Customs Appeal No. 41972 of 2015
(Arising out of Order in Appeal C.Cus.II No. 484/2015 dated 29.05.2015 passed by the Commissioner of Customs (Appeals II), Custom House, Chennai 600 001)

Commissioner of Customs **.... Appellant**
Chennai II Commissionerate
Custom House, No. 60, Rajaji Salai
Chennai 600 001

VERSUS

M/s. Pioneer India Electronics Pvt. Ltd. **.... Respondent**
216, 2nd Floor, Time Tower
M.G. Road, Gurgaon
Haryana 122 001

APPEARANCE:
Ms. O.M. Reena, Authorised Representative for the Appellant
Mr. V.M. Chavda, Advocate for the Respondent

CORAM:
HON'BLE MR. VASA SESHAGIRI RAO, MEMBER (TECHNICAL)
HON'BLE MR. AJAYAN T.V., MEMBER (JUDICIAL)

FINAL ORDER No. 41093/2026

DATE OF HEARING: 25.05.2026
DATE OF DECISION: 14.10.2026

Per Mr. Ajayan T.V.

The Revenue is in appeal against Order in Appeal C.Cus.II No. 484/2015 dated 29.05.2015 (the impugned order) of the Commissioner of Customs (Appeals II), Chennai. By the impugned order the appellate authority allowed the appeal of the importer, M/s. Pioneer India Electronics Pvt. Ltd. (the respondent), set aside Order in Original No. 3591/2014 dated 26.02.2015 of the lower adjudicating authority, and directed that the imported goods be classified under Customs Tariff Item 8527 29 00 with consequential benefits.

Relevant Facts

2. The respondent filed Bill of Entry No. 7136633 dated 21.10.2014 for clearance of goods described as "DVH 3490UB/XNID AM/FM Radio

with DVD Player for Car", imported from Thailand. In self assessment it classified the goods under Customs Tariff Item (CTI) 8527 29 00 and claimed the benefit of Notification No. 46/2011-Cus dated 01.06.2011 at Sl. No. 1390(I). The proper officer ordered first check appraisement and called for a sample of the goods and the product catalogue. On examining these, the assessing group took the view that the goods were DVD players with AM/FM receivers. The bill of entry was accordingly reassessed under CTI 8521 90 90 as "Other DVD Players" and the notification benefit was denied. The respondent paid duty under protest and cleared the goods. The lower adjudicating authority then passed the order in original, vacating the protest and upholding the classification adopted on reassessment.

3. Before the Commissioner (Appeals) the respondent maintained that the principal function of the unit continued to be that of an AM/FM radio receiver for cars. It pointed out that the goods are designed exclusively for motor vehicles and work only on 12 volts DC, the rating of a car battery, so that their use in a home or an office would damage the unit. In support, the respondent produced before the Commissioner (Appeals) a technical opinion on the construction of the goods.

4. The Commissioner (Appeals) noticed that the lower adjudicating authority did not dispute the capability of the goods to receive radio broadcasts, and had excluded them from heading 8527 only because they were known in the market as DVD players. Reproducing and examining the relevant tariff heading 8527 and the HSN explanatory notes to heading 85.27, he held that the tariff contains a specific entry for radio broadcast receivers combined with sound recording or reproducing apparatus and another for radio broadcast receivers other than those, so that an additional feature would not take the goods out of subheading 8527 29. He found the goods to be composite machines to which Notes 3 and 4 to Section XVI apply. Going by the marketing of the importer, he observed, the DVD player would appear to be the principal machine, whereas in use the AM/FM receiver may assume primacy, and it was therefore difficult to say which function was principal. Reasoning that CTI 8521 90 90 covers DVD players bereft of an AM/FM component, and that classification there would require the radio component to be ignored, he held CTI 8527 29 00 to

be appropriate and directed reassessment with consequential benefits. Aggrieved, the Revenue is in appeal before us. The appellant has also filed cross objections to the said Revenue's appeal.

Submissions on behalf of the appellant Revenue

5. Ms. O.M. Reena, Learned Authorised Representative, argued that the Commissioner (Appeals), having accepted that the goods are composite machines, was bound by Note 3 to Section XVI to classify them as the machine performing the principal function. The respondent itself, she contended, advertised and marketed the product on its website as a DVD player, and the features and specifications displayed there and discussed in the order in original showed the DVD player to be the principal function. The assumption that motorists mostly tune into FM stations was, she would submit, a mere conjecture, since the buyer of such a product intends that passengers, including children, should be able to watch DVDs while travelling. She relied on Order in Appeal C.Cus. Nos. 158 and 159/2015 dated 30.01.2015 in the case of M/s. Epson India Pvt. Ltd., in which the same appellate authority had given weight to the advertisement and catalogue of the importer in classifying projectors under CTI 8528 69 00.

6. The Ld. Authorised Representative further urged that a DVD player is primarily a video reproducing device. Heading 8527 covers reception apparatus for radio broadcasting whether or not combined, in the same housing, with sound recording or reproducing apparatus, and thus takes in a radio receiver combined with an audio player such as a CD player. A radio combined with a video reproducing apparatus falls outside its terms. Since the principal function of the goods is video reproduction, they fall under heading 8521, which covers video recording or reproducing apparatus whether or not incorporating a video tuner, and, being DVD players with other functions, under CTI 8521 90 90. She prayed that the impugned order be set aside.

Submissions on behalf of the respondent

7. Shri. V.M. Chavda, Learned Counsel for the respondent, contended that the appeal rests on the premise that the advertising of the importer determines the principal function of the goods, a premise contrary to settled law. Classification, he argued, is governed by the

headings and the Section and Chapter Notes read with the HSN Explanatory Notes, and an advertisement is designed to attract buyers rather than to describe the true nature of the goods. He relied on the decisions of the Bombay High Court in *Union of India v. Vicco Laboratories, 2000 (123) ELT 431 (Bom.)* and in *Ramtirth Yogashram v. State of Maharashtra,* [*1968] 22 STC 76 (Bom.): 1968 (2) TMI 110 - BOMBAY HIGH COURT*, on the decisions of this Tribunal in *Amardeo Plastics Industries v. Commissioner of Central Excise, Belapur, 2007 (210) ELT 360 (Tri. Mumbai)* and in *Commissioner of Central Excise, Calcutta I v. ASCU Ltd., 2006 (203) ELT 439 (Tri. Kolkata)*, and on the judgment of the Supreme Court in C*ommissioner of Central Excise, Salem v. Madhan Agro Industries (India) Pvt. Ltd.,* 2024 INSC 1002:(2024) 25 Centax 269 (SC) : 2025 (391) ELT 145 (SC). The website, counsel pointed out, in fact described the product as a DVD receiver, an expression denoting an amplifier unit with an inbuilt tuner to which a DVD module is attached, and not a standalone DVD player that merely reproduces images from prerecorded discs.

8. On the nature of the goods, counsel urged that the unit is in essence a tuner amplifier unit, integrated with a keyboard unit (USB/Bluetooth), whose integrated circuits and processors execute the function of an AM/FM radio receiver, and that the DVD mechanism module, Bluetooth and USB are features added to that base unit as commercial expediency dictates. He relied on the technical opinion produced before the Commissioner (Appeals) in support, and pointed out that the Revenue had never sought to rebut it. He stressed that the goods conform to ISO 7736, the standard size for a car audio head unit, are designed exclusively for motor vehicles and operate only on 12 volts DC. The tariff, he maintained, provides specifically for radio broadcast receivers of a kind used in motor vehicles which cannot operate without an external source of power, whereas CTI 8521 90 90 covers standalone DVD players of the kind used in homes and offices. He also drew support from the HSN Explanatory Notes to heading 85.27, which include within that heading stereo systems containing a radio receiver combined with a CD player and other units.

9. Lastly, counsel argued that the Revenue had led no positive evidence that the goods are standalone DVD players, though the burden of

establishing the classification it proposed lay squarely upon it, relying on *HPL Chemicals Ltd. v. Commissioner of Central Excise, Chandigarh, 2006 (197) ELT 324 (SC), Union of India v. Garware Nylons Ltd., (1996) 10 SCC 413: 1996 (87) ELT 12 (SC)* and *Hindustan Ferodo Ltd. v. Collector of Central Excise, Bombay, (1997) 2 SCC 677: 1997 (89) ELT 16 (SC)*. He prayed that the appeal be dismissed.

10. We have heard both sides and perused the material on record.

Issues for determination

11. The following issues arise for our decision:
    i. Whether the goods, which admittedly combine a radio broadcast receiver and a DVD player in one housing, are to be classified by reference to Note 3 to Section XVI of the First Schedule to the Customs Tariff Act, 1975?
    ii. Whether the Revenue has established that the principal function of the goods is video reproduction, so as to warrant their classification under CTI 8521 90 90?
    iii. If the Revenue has not done so, where the goods fall and whether the classification directed by the impugned order ought to be disturbed?

Discussion and findings

Issue (i), whether Note 3 to Section XVI governs the classification

12. Rule 1 of the General Rules for the Interpretation of the First Schedule requires classification to be determined according to the terms of the headings and any relative Section or Chapter Notes. Heading 8527 reads "*Reception apparatus for radio broadcasting, whether or not combined, in the same housing, with sound recording or reproducing apparatus or a clock*". Heading 8521 reads "*Video recording or reproducing apparatus, whether or not incorporating a video tuner*". The combination that heading 8527 itself contemplates is with sound recording or reproducing apparatus. It is silent on video. To the extent counsel for the respondent suggested that heading 8527 by its own terms embraces a radio receiver combined with a video reproducing apparatus, we are unable to accept the submission. Equally, heading 8521 says nothing of radio reception. The goods therefore unite in a common housing two machines that are described

in two different headings of Chapter 85. The HSN Explanatory Notes to heading 85.21, under paragraph "(B) Reproducing Apparatus" confirm where such a case belongs, for they state that apparatus capable of reproducing both video and audio recordings are classified in that heading "subject to Note 3 to Section XVI".

13. Note 3 to Section XVI reads thus.

> "3. Unless the context otherwise requires, composite machines consisting of two or more machines fitted together to form a whole and other machines designed for the purpose of performing two or more complementary or alternative functions are to be classified as if consisting only of that component or as being that machine which performs the principal function."

14. The General Explanatory Notes to Section XVI explain how the Note operates. These Notes were recently set out by the Supreme Court in *Commissioner of Customs (Import) v. Welkin Foods, 2026 INSC 19 : 2026 (395) ELT 273 (SC) : (2026) 38 Centax 104 (SC)* (paragraph 113). Multi function machines are in general classified according to their principal function. "*Where it is not possible to determine the principal function, and where, as provided in Note 3 to the Section, the context does not otherwise require, it is necessary to apply General Interpretative Rule 3(c)*." Composite machines of different kinds fitted together to form a whole, performing separate functions described in different headings of Section XVI, are likewise classified according to the principal function of the composite machine, and machines are taken to be fitted together to form a whole when they are mounted in a common housing. The weight to be given to the HSN Explanatory Notes is well settled. Since the tariff is aligned with the Harmonised System, any dispute relating to classification must as far as possible be resolved with reference to the HSN unless the tariff expresses a different intention, as held in *Collector of Central Excise, Shillong v. Wood Craft Products Ltd., (1995) 3 SCC 454 : 1995 (77) ELT 23 (SC)*, and reaffirmed in *Thermax Ltd. v. Commissioner of Central Excise, Pune I, 2022 (382) ELT 442 (SC)* and in *Madhan Agro Industries supra*, where the Court held that the General and Explanatory Notes in the HSN cannot be ignored while classifying goods under the First Schedule.

15. Both sides, as well as the Commissioner (Appeals), proceeded on the footing that the goods are composite machines falling within Note 3. We agree. Nothing in the context of either heading requires otherwise. The first issue is answered accordingly.

Issue (ii), whether the Revenue has established that video reproduction is the principal function

16. Note 3 makes the principal function of the machine decisive. That is an inquiry into the machine itself. In *Xerox India Ltd. v. Commissioner of Customs, Mumbai, (2010) 14 SCC 430 : 2010 (260) ELT 161 (SC)*, the Supreme Court determined the principal function of multi functional machines by examining the proportion of their parts, components and manufacturing cost allocated to printing, and held at paragraph 13 that the printing function emerged as the principal function. In *Thermax supra*, the Court examined the manner of operation of the machine and its output, noting that the production of chilled water never ceased while the machine was operating, and then found that conclusion borne out by the way the product was perceived in the market, including the manner in which the manufacturer presented it on its own website.

17. Thermax shows that the respondent states its case too broadly when it contends that the advertising of an importer is wholly irrelevant to classification. Market perception, including the manufacturer's own literature, may legitimately corroborate a conclusion drawn from the nature and working of the goods. What it cannot do is supply that conclusion in the absence of any examination of the goods. The Supreme Court put the matter beyond doubt in *Madhan Agro Industries supra*, where the Revenue had relied on the marketing of coconut oil in containers depicting a film actress with flowing tresses. The Court, in paragraph 43, held that such an advertisement "is not conclusive, in itself," to classify the oil as hair oil, following *Meghdoot Gramodyog Sewa Sansthan v. Commissioner of Central Excise, Lucknow, (2005) 4 SCC 15= 2004 (174) ELT 14 (SC)*.

18. The decisions relied upon by counsel for the respondent are of the same ratio, and none of them goes further. In *Vicco Laboratories supra* the Bombay High Court observed that what the manufacturer indicated in its advertisements was not decisive of the matter one way

or the other, and decided the classification on the oral and expert evidence led before it. In *Ramtirth Yogashram supra,* the same Court held that the mode in which a person may choose to advertise his commodity cannot be decisive in determining its real nature, and turned instead to the test report placed before it. In *Amardeo Plastics Industries supra,* the opinion of the Third Member, which formed the majority view, held at paragraph 35 that the use highlighted in an advertisement cannot be made the basis for classification, which is to be determined on the nature of the product and its description in the tariff headings read with the Chapter Notes. In *ASCU Ltd. supra,* the Tribunal held at paragraph 10 that a classification founded upon the literature or advertisement of the assessee, as against the other evidence placed on record, is not a safe proposition. Read with *Thermax*, these decisions establish that advertisement is at best corroborative and never decisive, and that where technical material on the nature of the goods is on record, it is that material which must be weighed.

19. It is equally well settled that where the Revenue seeks to classify goods under a heading different from that adopted by the assessee, the burden of establishing that classification lies upon it and is to be discharged by cogent evidence. The ratio was laid down in *Hindustan Ferodo Ltd. supra and in HPL Chemicals Ltd. supra*, was applied to a self assessed import as can be seen from paragraph 23 of the Judgement in *Hewlett Packard India Sales Pvt. Ltd. v. Commissioner of Customs (Import), Nhava Sheva, 2023 (383) ELT 241 (SC) : (2023) 2 Centax 236 (SC). The said principle* has been restated in paragraph 21 of the Judgement in *Hamdard (Wakf) Laboratories v. Commissioner of Commercial Tax, U.P., 2026 INSC 195 : 2026 (396) ELT 3 (SC) : (2026) 39 Centax 418 (SC)* (paragraph 21). Under Note 3 the burden takes a particular form. The Revenue must show that, of the functions the composite machine performs, the one described in the heading it proposes is the principal one.

20. Measured against these principles, the case of the Revenue does not get off the ground. The only material on which it relies is the description of the product on the website and in the catalogue of the respondent. No examination report analyses the construction or circuitry of the unit. There is no comparison of the components or the

cost attributable to the radio and DVD functions of the kind undertaken in *Xerox*, no expert opinion of its own, and no evidence of how the trade buys and sells such units is let in by the Revenue. The material it does rely on is not even consistent with its case. Counsel's statement that the website described the product as a DVD receiver was not disputed before us, and the word "receiver" itself speaks to the radio function. The bill of entry described the goods as an AM/FM radio with a DVD player for cars. On the other side stand features that are not in dispute. The lower adjudicating authority did not question the capability of the goods to receive radio broadcasts. The Respondent's averment that the goods operate only on 12 volts DC from a vehicle battery and are designed to be fitted in the dashboard of a motor vehicle, which places them within the description of radio broadcast receivers of a kind used in motor vehicles that cannot operate without an external source of power, remained uncontroverted.

21. There is more. The respondent produced before the Commissioner (Appeals) a technical opinion on the construction of the goods. According to that opinion, the unit is built around a tuner amplifier unit which serves as its mother board and whose integrated circuits and processors perform the reception and processing of AM/FM radio signals, while the DVD mechanism is a module connected to that base unit. The opinion was thus part of the record before the appellate authority whose order the Revenue now assails. Yet the grounds of appeal do not traverse it. The Revenue has neither questioned its correctness nor sought to test the goods or obtain a contrary opinion, and it continues to rest its case solely on the promotional description of the product. We do not treat an opinion procured by a party as conclusive of the classification. It is, however, the only technical material on record bearing upon the question that Note 3 makes decisive, and it stands unrebutted. To prefer the respondent's advertisement to that material would be to do precisely what was held unsafe in *ASCU Ltd. supra* and was declined in *Ramtirth Yogashram supra*.

22. The argument of the learned Authorised Representative that the buyer intends passengers to watch DVDs while travelling assumes that the goods themselves display video, or are invariably installed

with a monitor. Nothing placed before us establishes either fact. The HSN Explanatory Notes to heading 85.21 describe reproducing apparatus as designed to reproduce images and sound on a television receiver. Whether, and how, these goods present video is precisely the kind of question that ought to have been answered on the sample drawn at first check, and was not. The argument is in truth as conjectural as the observation of the Commissioner (Appeals) about motorists tuning into FM radio, which the Revenue itself criticises. Neither can found a classification. We are constrained to observe that an assessing officer who had drawn a sample and called for the catalogue was expected to record a finding on the construction and working of the apparatus, since Note 3 makes these decisive. A reassessment that withdraws a tariff concession granted under a trade agreement ought not to rest on promotional description alone. The burden that the law casts on the Revenue is not discharged by a label.

23. The order of the same appellate authority in the case of M/s. Epson India Pvt. Ltd. does not assist the Revenue. It does not bind this Tribunal. More fundamentally, the dispute there concerned projectors under heading 8528, where the competing entry turns on whether the goods are of a kind solely or principally used in an automatic data processing system. An entry so framed invites an inquiry into use, and the literature of the importer was considered there together with the features of the goods. The question here is the principal function of a composite machine under Note 3, and the Revenue never examined that question on the goods at all.

24. We accordingly hold that the Revenue has failed to establish that the principal function of the goods is video reproduction, and its case for classification under CTI 8521 90 90 must fail. The second issue is answered against the Revenue.

Issue (iii), the heading under which the goods fall and whether the impugned order should be disturbed

25. The Revenue has built its appeal in large part on the finding of the Commissioner (Appeals) that it is difficult to determine which function of these composite machines is principal. That finding, if accepted, does not lead to heading 8521. The General Explanatory Notes to

Section XVI, set out in paragraph 14 above, direct that where the principal function cannot be determined the classification is to be made under Rule 3(c) of the General Rules for Interpretation, which provides that goods which cannot be classified by reference to Rules 3(a) or 3(b) shall be classified under the heading which occurs last in numerical order among those which equally merit consideration. Headings 8521 and 8527 equally merit consideration for these goods, and heading 8527 occurs last. On the very premise that the Revenue invokes, therefore, heading 8527 and not heading 8521 governs.

26. The result is the same if the matter is approached by reference to the burden of proof. Where the Revenue fails to establish the different classification it proposes, the classification declared by the importer in self assessment is to be accepted, as the Supreme Court held in paragraph 23 of *Hewlett Packard India Sales Pvt. Ltd. supra*. The respondent declared the goods under CTI 8527 29 00, and the Commissioner (Appeals) directed reassessment under that tariff item.

27. The reasoning of the Commissioner (Appeals) deserves to be read as a whole. He did not hold that the radio function was principal. He held that neither function could be shown to be principal, that CTI 8521 90 90 covers DVD players bereft of an AM/FM component, and that classifying the goods there would therefore mean recognising the primacy of the DVD player and ignoring the AM/FM component without any basis for doing so. His further observation that a DVD player is essentially an audio and video reproducing device was the step by which he found the combination would go under heading 8527, which provides for radio receivers combined with sound reproducing apparatus. Understood in this way, his reasoning is consistent with Note 3. When the principal function has not been established, a composite machine cannot be consigned to the heading proposed by the Revenue by disregarding one of its two functions. What the impugned order did not do is identify the rule of law that resolves an indeterminate principal function. That rule is found in the General Explanatory Notes to Section XVI read with Rule 3(c), as we have explained in paragraph 25 above, and it leads to the same heading. One passage in the impugned order is, however, stated too widely. The observation that the presence of any additional feature along with radio reception will not take the goods out of subheading

8527 29 cannot be accepted as a general proposition. Heading 8527 itself confines the combinations it contemplates to sound recording or reproducing apparatus, as noticed in paragraph 12 above. Where an additional feature is shown to perform the principal function, Note 3 may well take the goods out of heading 8527 altogether. That was not shown here. Subject to this qualification, the conclusion of the impugned order on heading 8527 is sustained, and it rests on the reasons we have given.

28. The grounds of appeal and the submissions before us advanced only one alternative to the classification declared by the respondent, namely CTI 8521 90 90, and that alternative has failed. The benefit of Notification No. 46/2011-Cus was denied solely as a consequence of the reclassification of the goods under heading 8521. No independent ground for its denial was assigned at assessment or urged in this appeal, and it is not disputed that goods classifiable under CTI 8527 29 00 are covered by the notification. With the rejection of the classification proposed by the Revenue, the classification declared by the respondent prevails, and its entitlement to the benefit of the notification follows. The third issue is answered in favour of the respondent.

29. In light of our aforesaid discussions and analysis, the Order in Appeal C.Cus.II No. 484/2015 dated 29.05.2015 is upheld, for the reasons recorded in this order.

The appeal of the Revenue is dismissed and the Respondent shall be entitled to consequential reliefs in law, if any.

(Order pronounced in open court on 14.10.2026)

(AJAYAN T.V.)
MEMBER (JUDICIAL)

(VASA SESHAGIRI RAO)
MEMBER (TECHNICAL)

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