IN THE CUSTOMS, EXCISE & SERVICE TAX APPELLATE TRIBUNAL, CHENNAI

Customs Appeal No. 40487 of 2026

(Arising out of Order-in-Appeal Seaport C. Cus. II No. 536/2026 dated 10.06.2026 passed by the Commissioner of Customs (Appeals – II), Chennai)

M/s. Sri Sai Balaji Traders **Appellant**
Door No. 13/10, Elango Nagar
2nd Street, Thirumalai Nagar
South Tiruppur
Tirupur – 641 607.

Vs.

Commissioner of Customs **Respondent**
Chennai II Commissionerate
Custom House, 60, Rajaji Salai,
Chennai – 600 001.

APPEARANCE:

Shri E. Ramesh, Advocate for the Appellant
Shri N. Mohan, Authorized Representative for the Respondent

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Hon'ble Shri M. Ajit Kumar, Member (Technical)

FINAL ORDER NO. 41149/2026

Date of Hearing : 13.10.2026
Date of Decision: 30.10.2026

This appeal is filed by the appellant against Order-in-Appeal Seaport C. Cus. II No. 536/2026 dated 10.06.2026 passed by the Commissioner of Customs (Appeals – II), Chennai.

Factual Matrix

2. The Appellant, engaged in the wholesale trading and distribution of fabrics, imported 22,366.19 kg of "Remnant Stock of Cotton Knitted Fabrics (100% Cotton Knitted W:1.6M)" of Vietnamese origin through Chennai Port and filed Bill of Entry No. 6050579 dated 10.10.2024 under CTH 60062200, declaring a CIF value of USD 1.20 per kg and an

assessable value of ₹23,02,936/-. DGFT Notification No. 33/2024-25 dated 01.10.2024 revised the import policy for dyed cotton fabrics under CTH 6006 2200 from "Free" to "Prohibited", except for imports having a CIF value of USD 3.5 per kg or above. Accordingly, the Department treated the goods as restricted imports. The Appellant, vide letter dated 22.10.2024, submitted that the goods had arrived at Ho Chi Minh Port on 29.09.2024 and were loaded on 30.09.2024, though the Bill of Lading was issued on 05.10.2024, and requested adjudication without a Show Cause Notice or personal hearing. The Adjudicating Authority ordered confiscation under Section 111(d) of the Customs Act, 1962, while permitting redemption for re-export on payment of a fine of ₹15,000/- under Section 125(1), and imposed a penalty of ₹25,000/- under Section 112(a). The Commissioner (Appeals) upheld the order, giving rise to the present appeal before this Tribunal.

Submissions made by the Appellant

3. Shri E. Ramesh, Ld. Counsel appeared for the appellant and Ld. Authorized representative Shri N. Mohan appeared for the respondent.

3.1 Shri E. Ramesh, Ld. Counsel for the appellant submitted that:

A The Appellant submits that the principal issue is whether the imported "Remnant Stock of Cotton Knitted Fabrics" attracts the minimum import price (MIP) condition prescribed under DGFT Notification No. 33/2024-25 dated 01.10.2024. The goods were declared under CTH 6006 2200, pursuant to which the Department ordered confiscation under Section 111(d) of the Customs Act, 1962, imposed a redemption fine of ₹15,000/- for re-export and a penalty of ₹25,000/- under Section 112(a).

B. The Appellant initially approached the Hon'ble High Court in W.P. No. 36039 of 2024, wherein, by interim order dated 21.12.2024, release of the goods was permitted subject to conditions and solely for re-export. Subsequently, Test Report No. 3705/MCH/15.10.2024 came to the Appellant's notice, recording the fabric as "Printed". The Appellant contends that the goods are consequently classifiable under CTH 6006 2400, rather than CTH 6006 2200, and therefore fall outside the scope of the MIP condition under the said Notification.

C. Upon the test report being brought to its notice, the Hon'ble High Court, in W.P. No. 39103 of 2025, by order dated 17.03.2026, granted liberty to the Appellant to pursue the statutory appellate remedy.

D. However, the Appellate Commissioner, by the impugned Order, dismissed the appeal, declining to consider the test report on the grounds that it was not intended for classification purposes, lacked specified formal particulars and had not been relied upon to seek amendment of the Bill of Entry before adjudication. The Appellant submits that these objections are extraneous to the substantive issue, particularly as the authenticity of the test report was not questioned. The finding that the fabric was printed materially affects its classification and, consequently, the applicability of the MIP condition. The Appellant therefore contends that the impugned order warrants setting aside.

E. The Appellant further submits that the goods have remained detained for nearly two years, causing substantial financial hardship and raising concerns regarding deterioration and loss of value. As the accumulated detention, demurrage and storage charges allegedly exceed the value of the goods, the Appellant seeks a direction to the

Proper Officer to issue the requisite certificate for waiver of such charges under Regulation 6(1)(l) of the Handling of Cargo in Customs Areas Regulations, 2009.

F. Accordingly, the Appellant prays that this Hon'ble Tribunal set aside the impugned Order-in-Appeal dated 10.06.2026, hold that the goods are classifiable under CTH 6006 2400 and are not subject to the MIP condition under DGFT Notification No. 33/2024-25 dated 01.10.2024, direct waiver of detention, demurrage and storage charges for the period of detention until clearance, and grant such other reliefs as may be deemed fit in the interests of justice.

Submissions made by the Respondent-Revenue

3.2 Shri N. Mohan Ld. Authorized representative who appeared for the respondent stated that:

A. During assessment, the Bill of Entry was referred to the Port Assessment Group on the ground that the imported goods appeared classifiable under CTH 60062200 and attracted the restriction prescribed under DGFT Notification No.33/2024-25 dated 01.10.2024. The Department observed that the declared CIF value was below the prescribed minimum import price of USD 3.5 per kilogram and was hence prohibited for import and was rightly directed to be re-exported.

B. The laboratory test report recording the fabric as "printed" was issued in connection with examination for hazardous azo dyes and not for determining tariff classification. It further contends that the report, produced as a printout or screenshot, lacks authentication and essential particulars, and that the discrepancy in the report numbers further undermines its evidentiary value. The Appellant has also failed to furnish independent supporting material, such as manufacturer's

specifications, supplier declarations or technical literature, to establish classification under CTH 60062400.

C. The Revenue further submits that the Bill of Entry and contemporaneous import documents consistently declared the goods under CTH 60062200, attracting DGFT Notification No. 33/2024-25 dated 01.10.2024. The Appellant neither sought amendment of the declared classification nor disputed it during the assessment proceedings, raising the claim for reclassification only subsequently. Accordingly, the Revenue contends that the test report is insufficient to establish classification under CTH 60062400 and that the classification originally declared under CTH 60062200 should be maintained.

D. The Ld. A.R. prayed that the appeal may be rejected.

Discussion and Findings

4. I have carefully considered the submissions made by the Ld. Counsel for the Appellant and the Ld. Representative for the Revenue and perused the records of the case. The principal issue for determination is whether the imported goods, described as "Remnant Stock of Cotton Knitted Fabrics (100% Cotton Knitted W:1.6M)", are correctly classifiable under CTH 6006 2200, as declared in the Bill of Entry, or under CTH 6006 2400, as claimed by the Appellant, and whether the import restriction prescribed under DGFT Notification No. 33/2024-25 dated 01.10.2024 is applicable to the goods.

4.1 I find that the goods were imported under Bill of Entry No. 6050579 dated 10.10.2024, declaring a CIF value of USD 1.20 per kg. The Department proceeded on the basis that the goods fell under CTH 6006 2200 and were subject to the revised import policy under the

aforesaid DGFT Notification, which prohibited imports below the prescribed minimum import price of USD 3.5 per kg. Consequently, the goods were confiscated under Section 111(d) of the Customs Act, 1962, with an option for redemption for re-export on payment of a fine of ₹15,000/-, besides imposition of a penalty of ₹25,000/- under Section 112(a) of the Act.

4.2 The principal contention of the Appellant is that Test Report No. 3705/MCH/15.10.2024, from the Customs Lab, describes the fabric as "printed" and, therefore, the goods merit classification under CTH 6006 2400 instead of CTH 6006 2200. According to the Appellant, the goods, would fall outside the scope of the MIP condition relied upon by the Department.

4.3 The Revenue, on the other hand, submits that the test report was obtained in connection with examination for hazardous azo dyes and was not intended to determine tariff classification. It also questions the evidentiary value of the document on account of its form, absence of authentication particulars and discrepancy in the report numbers. Further, the Revenue points out that the Appellant declared the goods under CTH 6006 2200 and did not seek amendment of the Bill of Entry during the assessment proceedings.

4.4 I find that the fact that the laboratory examination was conducted for detecting hazardous dyes does not, by itself, render the technical observations recorded therein irrelevant for considering the nature and characteristics of the goods. Equally, however, the description "printed" in a laboratory report cannot, in isolation, conclusively establish the appropriate tariff classification. Classification must be determined with reference to the relevant tariff headings, their

terms and applicable interpretative rules, read with the established characteristics of the imported goods.

4.5 I also find that the Revenue's concerns regarding the form and authenticity of the Test Report are not well-founded. The report was obtained at the instance of the Revenue to test for hazardous azo dyes. The Appellant has referred to the report having been rendered by the Customs Lab. As stated by the Appellant, such reports are processed as a part of the e-Sanchit electronic record, an online paperless document-processing system introduced by the CBIC under the Single Window Interface for Facilitation of Trade (SWIFT). Had the report not formed part of the official electronic record, its authenticity could readily have been easily verified with the official laboratory concerned and from the importer and appropriate action taken, if warranted. The report is detailed and covers eleven test parameters, of which only one relates to azo dyes. This further militates against the contention that the examination was confined to testing for hazardous azo dyes. If the Revenue entertained any doubt regarding the contents or authenticity of the report, it could have sought a clarification, verification or re-test from the laboratory during adjudication. Having failed to do so, the Revenue cannot now question its authenticity without any supporting material. We further note that the report expresses no opinion on the classification of the cotton knitted fabrics; it merely records the factual finding that the goods are 'printed'.

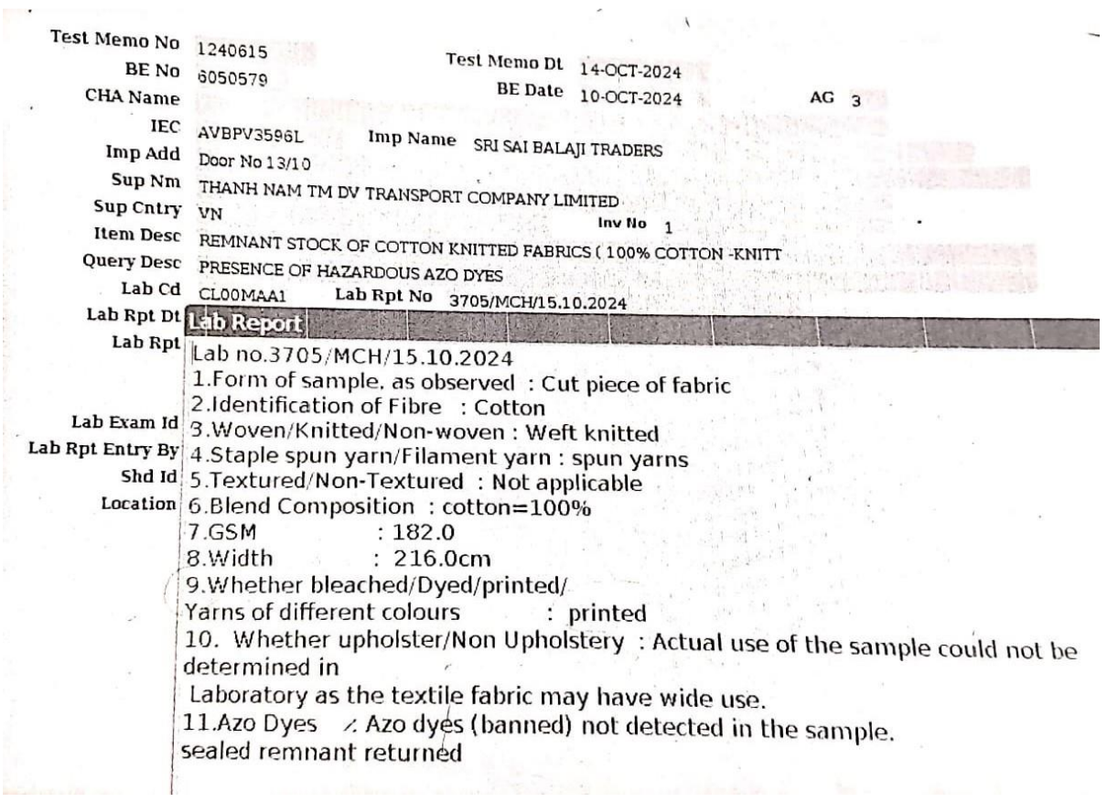
4.6 The goods were found prohibited, mainly on the ground that the appellant had itself classified the goods under CTH 6006 2200 in the Bill of Entry. No amendment was sought to change the classification, prior to the Adjudication. The Bill of Lading was issued on 05.10.2024

i.e. after DGFT Notification No. 33/2024-25 dated 01.10.2024 revised the import policy for dyed cotton fabrics under CTH 6006 2200 from "Free" to "Prohibited", except for imports having a CIF value of USD 3.5 per kg or above.

4.7 I find that a matter may be remanded by an Appellate Authority only where the evidence on record is insufficient for the appellate authority to adjudicate the issue conclusively. [See: **Naresh Kumar and Company Vs Commissioner, Service Tax** - 2026-TIOL-282-HC-KOL-ST]. An unwarranted remand would merely prolong the litigation, especially in a case where the goods are still awaiting clearance. Accordingly, I proceed to examine the merits of the case based on the material available on record.

Test Memo

4.8 I find that the goods have after test been found to be as under, as per the impugned Test Report:



Test Memo No	1240615	Test Memo Dt	14-OCT-2024
BE No	6050579	BE Date	10-OCT-2024
CHA Name			AG 3
IEC	AVBPV3596L	Imp Name	SRI SAI BALAJI TRADERS
Imp Add	Door No 13/10		
Sup Nm	THANH NAM TM DV TRANSPORT COMPANY LIMITED		
Sup Cntry	VN	Inv No	1
Item Desc	REMNANT STOCK OF COTTON KNITTED FABRICS (100% COTTON -KNITT		
Query Desc	PRESENCE OF HAZARDOUS AZO DYES		
Lab Cd	CL00MAA1	Lab Rpt No	3705/MCH/15.10.2024
Lab Rpt Dt			
Lab Rpt	Lab Report		

Lab no.3705/MCH/15.10.2024
1.Form of sample, as observed : Cut piece of fabric
2.Identification of Fibre : Cotton
3.Woven/Knitted/Non-woven : Weft knitted
4.Staple spun yarn/Filament yarn : spun yarns
5.Textured/Non-Textured : Not applicable
6.Blend Composition : cotton=100%
7.GSM : 182.0
8.Width : 216.0cm
9.Whether bleached/Dyed/printed/
Yarns of different colours : printed
10. Whether upholster/Non Upholstery : Actual use of the sample could not be determined in
Laboratory as the textile fabric may have wide use.
11.Azo Dyes : Azo dyes (banned) not detected in the sample.
sealed remnant returned

Lab Exam Id	
Lab Rpt Entry By	
Shd Id	
Location	

4.9 Notification 33/2024-25 is reproduced below for ease of reference.

Notification No. 33/2024-25 New Delhi, Dated: 1" October, 2024

Subject: Imposition of Minimum Import Price on Synthetic Knitted Fabrics up to 31 December 2024-reg.

S.O.: In exercise of powers conferred by Section 3 and Section 5 of FT (D&R) Act, 1992, read with paragraph 1.02 and 2.01 of the Foreign Trade Policy, 2023, as amended from time to time, and in partial modification to Notification No. 77/2023 dated 16.03.2024, the Central Government hereby **extends the condition of Minimum Import Price (MIP) on the following 5 ITC (HS) Codes of Synthetic Knitted Fabrics** from 15th September, 2024 to 31 December 2024 as under:

ITC (HS) Code	Item Description	Existing Import Policy	Revised Import Policy	Existing Policy Condition	Revised Policy Condition
60063100	- Of synthetic fibres -- Unbleached or bleached	Free	Prohibited	-	However, import is 'Free' if CIF value is 3.5 US Dollar and above per kilogram
60063200	- Of synthetic fibres -- Dyed	Free	Prohibited	-	However, import is 'Free' if CIF value is 3.5 US Dollar and above per kilogram
60063300	- Of synthetic fibres -- Of yarns of different colours	Free	Prohibited	-	However, import is 'Free' if CIF value is 3.5 US Dollar and above per kilogram
60063400	- Of synthetic fibres -- Printed	Free	Prohibited	-	However, import is 'Free' if CIF value is 3.5 US Dollar and above per kilogram
60069000	-- Other	Free	Prohibited	-	However, import is 'Free' if CIF value is 3.5 US Dollar and above per kilogram

2. All other terms and conditions in the Notification No. 77/2023 dated 16.03.2024 shall remain unchanged.

3. In addition to the above, the Central Government hereby **revises the Import Policy Condition of the following ITC (HS) Codes under Chapter 60 of ITC(HS) 2022**, Schedule-1 (Import Policy), for the period upto 31" December, 2024, with immediate effect:

ITC (HS) Code	Item Description	Existing Import Policy	Revised Import Policy	Existing Policy Condition	Revised Policy Condition
60019200	- Other: -- Of manmade fibres	Free	Prohibited	-	However, import is 'Free' if CIF value is 3.5 US Dollar and above per kilogram
60041000	Knitted or crocheted fabrics of a width exceeding 30 cm, containing by weight 5 per cent or more of elastomeric yarn or rubber thread, other than those of heading 60.01	Free	Prohibited	-	However, import is 'Free' if CIF value is 3.5 US Dollar and above per kilogram
60049000	- Other	Free	Prohibited	-	However, import is 'Free' if CIF value is 3.5 US Dollar and above per kilogram
60053600	- Of synthetic fibres -- Other, unbleached or bleached	Free	Prohibited	-	However, import is 'Free' if CIF value is 3.5 US Dollar and above per kilogram
60053790	--- Other	Free	Prohibited	-	However, import is 'Free' if CIF value is 3.5 US Dollar and above per kilogram
60053900	- Of synthetic fibres -- Other, prined	Free	Prohibited	-	However, import is 'Free' if CIF value is 3.5 US Dollar and above per kilogram
60062200	**- Of cotton: -- Dyed**	**Free**	**Prohibited**	**-**	**However, import is 'Free' if CIF value is 3.5 US Dollar and above per kilogram**
60064200	- Of artificial fibres: -- Dyed	Free	Prohibited	-	However, import is 'Free' if CIF value is 3.5 US Dollar and above per kilogram

Effect of the Notification: Minimum Import Price (MIP) on Synthetic Knitted Fabrics is extended from 15th September 2024

to 31 December 2024. Further, MIP of US Dollar 3.50 per Kilogram on CIF Value has also been imposed on 08 new ITC (HS) Codes of various kinds of Knitted fabrics for the period up to 31" December, 2024.

(issued from F. No. 01/89/180/Misc-39/AM-05/PC-2[A]/E-1425)

4.10 The relevant tariff classification heading pertaining to CTH 6006 is reproduced hereinbelow for ease of reference:

6006		**OTHER KNITTED OR CROCHETED FABRICS**			
6006 10 00	-	Of wool or fine animal hair	kg.	*10%	-
	-	Of cotton			
6006 21 00	--	Unbleached or bleached	kg.	*10%	-
6006 22 00	--	Dyed	kg.	*10%	-
6006 23 00	--	Of yarns of different colours	kg.	*10%	-
600624 00	**--**	**Printed**	**kg.**	***10%**	-
	-	Of synthetic fibres			
6006 31 00	--	Unbleached or bleached	kg.	*20%	-
6006 32 00	--	Dyed	kg.	*20%	-
6006 33 00	--	Of yarns of different colours	kg.	*20%	-
6006 34 00	--	Printed	kg.	*20%	-
	-	Of artificial fibres			
6006 41 00	--	Unbleached or bleached	kg.	*20%	-
6006 42 00	--	Dyed	kg.	*20%	-
6006 43 00	--	Of Yarns of different colours	Kg.	*20%	-
6006 44 00	--	Printed	kg.	*20%	-
6006 90 00	-	Other	kg.	*10%	-

5. The Departmental authorities ordinarily attach considerable evidentiary value to expert opinion from those they have referred a matter, though they are not bound to accept such reports unquestioningly, particularly where they are perfunctory or otherwise unsustainable. But then they are required to state so transparently at the outset and put the importer on notice suitably. In the present case, we find that the Test Report is detailed. Its findings merit acceptance, particularly since the Revenue has neither challenged the report as being incorrect on the tested parameters nor sought a re-test. The Department has sought to discredit the report on the ground that its format was improper, while accepting that it was intended to test for hazardous azo dyes. No enquiry was made into how a report, now

questioned on other grounds, came to be incorporated into the Customs electronic assessment system. The casual manner in which this serious issue was addressed suggests a predetermined conclusion, reached without examining the evidentiary value or effect of the test report. The report, therefore, constitutes relevant and reliable evidence that must be duly considered in deciding the issue in dispute.

6. As regards the classification declared by the importer, it cannot be presumed that the importer possesses expert knowledge of tariff classification. The appellant has contended that importers are handicapped in accessing the Test Report, as they can view it only on a computer screen or obtain a printout at the discretion of the officers concerned. The submission has not been rebutted. In these circumstances, the importer's failure to seek amendment of the declared classification in the Bill of Entry cannot, be held against it. The importer did, however, avail itself of the opportunity to present its case including the change in classification, before the Adjudicating Authority. It was, therefore, incumbent upon the Adjudicating Authority to examine the classification dispute as per the discretionary jurisdiction vested in him, in all its relevant aspects and arrive at a reasoned conclusion after considering the test results, the applicable tariff entries, the relevant DGFT Notification and the governing legal principles. The Hon'ble supreme Court very recently in **S.S. DAS VS. UNION OF INDIA** [2026 INSC 980, Dated: 09.09.2026], while examining the scope of discretion held:

> "59. **We need to remind the administrative officers that discretion is not a charter for arbitrariness.** Discretion vests an officer empowered to decide . . . . with a choice between alternatives. When the statute, rule or regulation provides guidance for its exercise, the action must conform to it. When the statute, rule or regulation is

> silent, the power cannot be exercised whimsically or arbitrarily; **it must be informed by reasonableness and fairness, as abuse or unfair use is never the legislative intent**. . .”
>
> (emphasis added)

7. On examination of the facts, I find that the impugned goods are 100% cotton weft-knitted and printed fabrics made from spun yarn, having a GSM of 182.0 and a width of 216.0 cm. Under the Customs Tariff, ‘Other knitted or crocheted fabrics’ of cotton, which are printed, are classifiable under CTI 6006 2400. Such goods are not covered by DGFT Notification No. 33/2024-25 dated 01.10.2024. Accordingly, the impugned goods do not fall within the ‘prohibited’ category, being outside the purview of the said Notification. This being so the goods are free to be imported, as no other restrictions have been stated in the impugned order and hence the order merits to be set aside.

Conclusion

Accordingly, the impugned order is set aside. The goods are permitted to be cleared for home-consumption after completing assessment related formalities, including the payment of appropriate duty. The Appellant is eligible for consequential relief. Accordingly, the storage of goods not being on account of the appellant, the Proper Officer may also issue suitable orders for waiver of detention, demurrage and storage charges for the period of detention until clearance by Customs. The appeal is disposed of on the said terms.

(Order pronounced in open court on 30.10.2026)

Sd/-
(**M. AJIT KUMAR**)
Member (Technical)

Rex