CUSTOMS, EXCISE AND SERVICE TAX APPELLATE TRIBUNAL
CHENNAI

REGIONAL BENCH – COURT No. I

Customs Appeal No. 40088 of 2017

(Arising out of Order-in-Original No. 49920/2016 dated 14.09.2016 passed by the Commissioner of Customs, No. 60, Rajaji Salai, Custom House, Chennai – 600 001)

M/s. Wellman Distributors **...Appellant**
No.184, Govindappa Naicken Street,
Kotak ING Bank Building,
Ground Floor,
Sowcarpet,
Chennai – 600 001.

Versus

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

APPEARANCE:

For the Appellants : Mr. S. Murugappan, Advocate
For the Respondent : Ms. Rajini Menon, Authorised Representative

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

FINAL ORDER No. 40887 / 2026

DATE OF HEARING : 21.04.2026
DATE OF DECISION : 16.07.2026

Per Mr. VASA SESHAGIRI RAO

The present appeal has been filed by M/s. Wellman Distributors (hereinafter referred to as "the appellant") against Order-in-Original No. 49920/2016 dated 14.09.2016 passed by the Commissioner of Customs, Chennai-IV (hereinafter referred to as "the impugned order”), whereby the declared transaction value of LED bulbs imported under Bill of Entry Nos. 8081144 and 8081292 dated 23.01.2015 was rejected, the value was enhanced on the basis of NIDB data and differential duty, confiscation, redemption fine and penalty were confirmed.

2. The facts, as briefly stated and culled out from the appeal records, are that the appellant imported Plastic LED Bulbs of various wattages from M/s. Wenzhou Xingye Electrical Co. Ltd., China under Bill of Entry Nos. 8081144 and 8081292 dated 23.01.2015. Though the goods were subjected to First Check examination, the declared transaction value was enhanced on the basis of NIDB data and the assessments were provisionally finalized. Pursuant to the interim directions of the Hon’ble Madras High Court in W.P. Nos. 2588 and 2589 of 2015, the goods were released on payment of part differential duty and furnishing of bank guarantee. Thereafter, Show Cause Notice dated 16.06.2015, as supplemented by Addendum dated 4.11.2015, proposed rejection of the declared value, re-determination of assessable value, recovery of differential duty, confiscation and penalties. The proceedings culminated in Order-in-Original No. 49920/2016 dated 14.09.2016 whereby differential duty of Rs.17,38,681/- was confirmed, the amounts already deposited were appropriated, the goods

were held liable to confiscation and redemption fine of Rs.5,00,000/- and penalty of Rs.1,00,000/- were imposed.

3. Aggrieved thereby, the appellant is before this Tribunal.

4. The Ld. Advocate Shri S. Murugappan for the appellant, submitted that the impugned valuation enhancement rests solely on NIDB data without any legally admissible contemporaneous import evidence. It was contended that neither the Show Cause Notice nor the impugned order furnishes comparable Bills of Entry or supporting documents establishing similarity of imports. The learned Counsel further submitted that the appellant had imported more than 1.45 lakh LED bulbs in container-load quantities directly from the manufacturer and had remitted the entire invoice value through banking channels, with no allegation of additional consideration, flow-back of funds or any circumstance warranting rejection of transaction value under Rule 12. Reliance was also placed upon various judicial precedents to contend that NIDB data alone cannot form the basis for rejection of transaction value or enhancement of assessable value.

5. *Per contra,* the Ld. Authorized Representative Ms. Rajini Menon reiterated the findings of the impugned order and submitted that the declared values were abnormally low when compared to contemporaneous import prices reflected in the NIDB database. She has contended that the NIDB data, coupled with the First Check examination, created reasonable doubt regarding the truth and accuracy of the declared value, justifying rejection of transaction value under Rule 12 and re-determination of value under Rule 5 of the Customs Valuation Rules, 2007.

6. We have carefully considered the submissions advanced on behalf of both sides, perused the appeal records, the order of the Hon'ble Madras High Court and the other documents placed on record.

The following questions arise for determination:

i. Whether rejection of transaction value and re-determination of assessable value is sustainable in the facts obtaining in this appeal? and consequently,

ii. Whether confiscation of the imported goods and imposition of redemption fine and penalty are sustainable?

7. We now proceed to examine the issues framed for determination sequentially.

Issue No. (i) Whether rejection of transaction value and re-determination of assessable value are sustainable in law?

8. Section 14 of the Customs Act and Rule 3 of the Customs Valuation Rules, 2007 recognize the transaction value as the primary basis for customs assessment. The declared value cannot be rejected merely because it appears low; Rule 12 permits its rejection only where reasonable doubt exists regarding its truth or accuracy and such doubt remains unresolved after considering the importer’s explanation.

9. In the present case, the appellant produced Commercial Invoice No. 2014-292 dated 29.12.2014 showing supply of 1,67,760 LED bulbs for a total CIF value of USD 13,728.00. The invoice contains complete details of quantity, wattage-wise prices, container number and shipment particulars and banking evidence establishing remittance of the entire invoice value through ING Vysya Bank. The bank advice dated 19.12.2014 records remittance of USD 13,728.00 to the Foreign Supplier.

10. The Department has neither alleged any additional remittance, extra commercial consideration, flow-back arrangement nor any relationship between the buyer

and seller. There is also no allegation that any amount over and above the invoice value was paid. These circumstances assume significance while examining the validity of rejection of transaction value under Rule 12.

11. We find that the Department has relied solely on NIDB data without furnishing all the details of comparable Bills of Entry, connected invoices and other supporting documents relating to the alleged contemporaneous imports, thereby denying the appellant an effective opportunity to test comparability. It is also relevant that the goods were subjected to First Check examination and no discrepancy regarding their description, quantity, country of origin or physical characteristics was noticed. These circumstances further weaken the Department's basis for rejecting the declared transaction value.

12. More importantly, the appellant repeatedly pointed out that the imports relied upon by the Department related to quantities such as 1,000 pieces, 3,500 pieces and 4,000 pieces, whereas the present imports involved more than 1.45 lakh pieces imported directly from the manufacturer in container-load quantities.

13. Rule 5 requires comparison with similar goods imported at or about the same time. Similarity is not established merely because both products are described as LED bulbs. Factors such as quantity, commercial levels of import, whether same manufacturer, branded or not, quality and specifications are relevant considerations. The Department has not established comparability on any of these parameters except wattage of the LEDs.

14.1 The Ld. Counsel for the appellant submitted that the issue is no longer res integra and stands concluded by a catena of decisions holding that NIDB data, by itself, cannot constitute a legally sustainable basis for rejection of declared transaction value or enhancement of assessable value. He has contended that before resorting to the sequential methods prescribed under the Customs Valuation Rules, 2007, the Department is required to establish valid grounds for rejection of transaction value in terms of Rule 12 by producing cogent evidence giving rise to reasonable doubt regarding the truth or accuracy of the declared value. In support of the above submissions, reliance is placed upon the following decisions: -

i. *Atlantis Trading Co. v. Commissioner of Customs, Tuticorin, 2024 (14) Centax 221 (Tri.-Mad.);*
ii. *Sai Exports v. Commissioner of Customs, Tuticorin, 2019 (370) E.L.T. 398 (Tri.-Chennai);*
iii. *Commissioner of Customs (ICD), Delhi v. Vardhman Sales Agency, 2026 (40) Centax 130 (Tri.-Chandigarh); and*
iv. *CCE & ST, Noida v. Sanjivani Non-Ferrous Trading Pvt. Ltd., 2019 (365) E.L.T. 3 (S.C.).*

14.2 In Atlantis Trading Co. v. Commissioner of Customs, Tuticorin, 2024 (14) Centax 221 (Tri.-Mad.), the Tribunal categorically held that NIDB data alone cannot constitute the basis for enhancement of value and that contemporaneous Bills of Entry and supporting evidence must be produced.

14.3 Similarly, in *Sai Exports v. Commissioner of Customs, Tuticorin, 2019 (370) E.L.T. 398 (Tri.-Chennai),* it was held in Para 9 that: -

> *"9. Simply because the value declared by the appellant is lower than the value found in the NIDB database, the value cannot be revised by the department. Such difference in value does not constitute in itself a reasonable doubt needed to reject the transaction value under Rule 12. Consequently, the impugned order is liable to be set aside and we do so."*

14.4 In *Commissioner of Customs v. Vardhman Sales Agency, 2026 (40) Centax 130 (Tri.-Chandigarh),* it was reiterated that NIDB is merely a database and cannot substitute statutory evidence required for rejection of transaction value.

14.5 Most importantly, the Hon'ble Supreme Court in *CCE & ST v. Sanjivani Non-Ferrous Trading Pvt. Ltd., 2019 (365) E.L.T. 3 (S.C.)* held that transaction value cannot be discarded merely because some imports reflect higher prices and the Department must first establish circumstances warranting rejection of declared value under Rule 12.

14.6 Relying upon the aforesaid decisions, the learned Counsel submitted that the facts of the present case are squarely covered by the settled legal position that NIDB data, in the absence of corroborative evidence and legally comparable contemporaneous imports, cannot form the sole basis for rejection of transaction value or enhancement of assessable value. It was therefore contended that the impugned order, having been founded entirely on such NIDB data without satisfying the requirements of Rule 12 of the Customs Valuation Rules, 2007, is liable to be set aside.

15. We find considerable force in the appellant’s contentions. It is well settled that NIDB data alone cannot justify rejection of transaction value. In the present case, the Department has not produced any independent evidence of undervaluation or established comparability of the alleged contemporaneous imports. The Department should have conducted a market enquiry of these goods. Being the importer, a trader, all his records should have been called for and the sale prices of imported goods should have been verified before finalization of provisional assessments. Simply enhancing the values on the basis of other Bills of Entry

without furnishing all the details as to commercial factors having influence on the prices is not legally justified. As such, the requirements of Rule 12 for rejection of the declared value are not satisfied.

16. Consequently, the differential duty demand and interest confirmed on the basis of such enhancement cannot survive. Once proposed rejection of transaction value fails, the consequential re-determination of value under Rule 5 also cannot survive. Accordingly, the differential duty demand and interest confirmed on the basis of such enhancement are liable to be set aside.

Issue No (ii) Sustainability of Confiscation, Redemption Fine and Penalty

17. The confiscation ordered by the Commissioner is entirely founded upon the allegation of undervaluation. We have already held that rejection of transaction value itself is not tenable.

18. Apart from the allegation of undervaluation, there is no evidence of any misdeclaration by the appellant. The goods were imported under valid commercial invoices, the invoice value was remitted through the banking channels and the goods were subjected to First Check examination by Customs. The goods were also released pursuant to the

directions of the Hon'ble Madras High Court. In these circumstances, we find no basis for confiscation or imposition of penalty.

19. Once valuation enhancement is set aside, confiscation under Section 111(m) cannot independently survive. Redemption fine imposed under Section 125 is therefore liable to be set aside.

20. For identical reasons, penalty imposed under Section 112(a) also becomes unsustainable.

21. Thus, we hold that the Department has failed to justify rejection of the declared transaction value. Consequently, the valuation enhancement based solely on NIDB data and the resulting demand of duty, interest, confiscation, redemption fine and penalty are unsustainable and liable to be set aside.

22. Accordingly, the impugned Order-in-Original No. 49920/2016 dated 14.09.2016 is set aside and the appeal is allowed with consequential relief, if any, in accordance with the law.

(Order pronounced in open court on 16.07.2026)

Sd/-	Sd/-
(AJAYAN T.V.)	**(VASA SESHAGIRI RAO)**
MEMBER (JUDICIAL)	MEMBER (TECHNICAL)

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