



भारत सरकार/Government of India  
 वित्त मंत्रालय / Ministry of Finance  
 आयुक्त सीमाशुल्क एन.एस.-II का कार्यालय  
 Office of Commissioner of Customs NS-II  
 Jawaharlal Nehru Custom House, Nhava Sheva,  
 Dist.- Raigad, Maharashtra - 400 707



F No CUS/DBK/SCN/8/2026-DBK/NS-II/JNCH 12-02-2026

SHOW CAUSE NOTICE No. - 1993/2025-26/ADC/DBK/CAC/JNCH

Adj F. No. - 5/10-1810/2025-26/Adj/ADC/DRC/NS-II/CAC/JNCH

**SHOW CAUSE NOTICE UNDER SECTION 124 OF THE CUSTOMS ACT,  
 1962**

**Subject:** Show Cause Notice under Section 124 of the Customs Act, 1962 to the exporter M/s Indoworth India Ltd. (IEC No. 0300009046) for recovery of excess grant of brand rate duty drawback of 5,87,050/- with applicable interest under Rule 17 of Customs and Central Excise Duty Drawback Rule, 2017 read with Section 75A (2) of the Customs Act, 1962-reg.

**BRIEF FACT OF THE CASE**

**M/s Indoworth India Limited** (hereinafter referred to as "the Exporter"), having IEC-0300009046, situated at B-130/1, MIDC Industrial Area, Butibori, Nagpur - 441108, had filed application for fixation of Special Brand Rate of Duty Drawback of under rule 7(1) of the Customs and Central Excise Duty Drawback Rule, 2017, vide application reference no. IIL/LEO/DBK-01/18-19 dated 24.11.2018.

2. Accordingly, Special Brand Rate of Duty Drawback amounting to Rs. 1,10,86,100/- was fixed by the competent authority in respect of the aforesaid restricted quantity. The Special Brand Rate fixation letter was issued vide F. No. S/12-Indoworth-BR-636/2018-19 DBK/JNCH dated 26.02.2019 (RUD-1).

**3. AUDIT OBSERVATION:**

During the audit conducted by the Audit Department, an audit objection was raised vide Audit Memo No. 62, Para No. 20 (RUD-II), involving tax effect of Rs. 5,87,050/-, on the ground of excess grant of brand rate duty drawback. Vide the audit objection, the Audit department expressed their audit as below-

*"Rule 7(1) of Customs and Central Excise Duties Drawback Rules, 2017, stipulates that where, in respect of any goods, the exporter finds that the amount or rate of drawback determined under rule 3 is less than eighty per cent, he may, make an application to the Principal Commissioner of Customs or Commissioner of Customs within three months from the date relevant for the applicability of the amount or rate of drawback in terms of sub-rule (3) of rule 5.*

Further, as per CBIC Circular No. 108/2003 dated 17.12.2003, in the process of manufacturing of export product, if some waste is sold, customs duty portion allocable to inputs gone into waste should be reduced on the basis of scrap value.

Audit examination of the DBK-I statement revealed that during manufacturing process of the output goods, there was production of some recoverable waste which had saleable value. The exporter has exported the waste product and received AIR drawback on the same. Further, while calculating the drawback claim, the AIR drawback received on waste product was reduced from the total brand rate drawback claim. However, the entire duty incidence on the scrap value of such waste product was required to be calculated and reduced from the drawback claim which was not done. The department granted the entire drawback as claimed by the exporter.

Thus, by not taking into consideration the entire duty element involved on the scrap value of the waste product which had been sold, the department has granted excess brand rate drawback of 5,87,050. (detailed in annexure).”

#### **4. RELEVANT LEGAL PROVISIONS:**

The legal provisions relevant to the present case are as under:

##### **(A) Rule 7(1) of the Customs and Central Excise Duty Drawback Rules, 2017:**

“7. Brand rate of drawback. — (1) Where in respect of any goods, the exporter finds that the amount or rate of drawback determined under rule 3 or, as the case may be, revised under rule 4, for the class of goods is less than eighty per cent. of the duties paid on the materials or components used in the production or manufacture of the said goods, he may, except where a claim for drawback under rule 3 or rule 4 has been made, within three months from the date relevant for the applicability of the amount or rate of drawback in terms of sub-rule (3) of rule 5, make an application to the Principal Commissioner of Customs or Commissioner of Customs, as the case may be, having jurisdiction over the place of export, for determination of the amount or rate of drawback thereof stating all relevant facts including the proportion in which the materials or components or input services are used in the production or manufacture of goods and the duties or taxes paid on such materials or components or input services.”

##### **(B) Section 113 of Customs Act, 1962 - Confiscation of goods attempted to be improperly exported, etc.**

The following export goods shall be liable to confiscation:-

(ia) any goods entered for exportation under claim for drawback which do not correspond in any material particular with any information furnished by the exporter or manufacturer under this Act in relation to the fixation of rate of drawback under section 75;

##### **(C) Section 114 of Customs Act, 1962- Penalty for attempt to export**

**goods improperly, etc. –**

*Any person who, in relation to any goods, does or omits to do any act which act or omission would render such goods liable to confiscation under section 113, or abets the doing or omission of such an act, shall be liable, -*

*(iii) in the case of any other goods, to a penalty not exceeding the value of the goods, as declared by the exporter or the value as determined under this Act, whichever is the greater.*

**(D) Section 114AA of Customs Act, 1962- Penalty for use of false and incorrect material. –**

*If a person knowingly or intentionally makes, signs or uses, or causes to be made, signed or used, any declaration, statement or document which is false or incorrect in any material particular, in the transaction of any business for the purposes of this Act, shall be liable to a penalty not exceeding five times the value of goods.*

**(E) Rule 17 of the Customs and Central Excise Duties Drawback Rules, 2017:-**

*“17. Repayment of erroneous or excess payment of drawback and interest. —*

*Where an amount of drawback and interest, if any, has been paid erroneously or the amount so paid is in excess of what the claimant is entitled to, the claimant shall, on demand by a proper officer of Customs, repay the amount so paid erroneously or in excess, as the case may be, and where the claimant fails to repay the amount it shall be recovered in the manner laid down in sub-section (1) of section 142 of the Customs Act, 1962 (52 of 1962).”*

**(F) As per Section 124 of the Customs Act, 1962 –**

*“Issue of show cause notice before confiscation of goods, etc.—No order confiscating any goods or imposing any penalty on any person shall be made under this Chapter unless the owner of the goods or such person-*

*(a) is given a notice in 1 [writing with the prior approval of the officer of Customs not below the rank of 2 [an Assistant Commissioner of Customs], informing] him of the grounds on which it is proposed to confiscate the goods or to impose a penalty;*

*(b) is given an opportunity of making a representation in writing within such reasonable time as may be specified in the notice against the grounds of confiscation or imposition of penalty mentioned therein; and*

*(c) is given a reasonable opportunity of being heard in the matter: Provided that the notice referred to in clause (a) and the representation referred to in clause (b) may, at the request of the person concerned be oral. 3*

*[Provided further that notwithstanding issue of notice under this section, the proper officer may issue a supplementary notice under such circumstances and in such manner as may be prescribed.]”*

**(G) Section 75A (2) the Customs Act, 1962- Interest on drawback,—**

*“(2) Where any drawback has been paid to the claimant erroneously or it becomes otherwise recoverable under this Act or the rules made thereunder, the claimant shall, within a period of two months from the date of demand, pay, in addition to the said amount of drawback, interest at the rate fixed under section 28AA and the amount of interest shall be calculated for the period beginning from the date of payment of such drawback to the claimant till the date of recovery of such drawback.”*

#### 5. **FINDINGS ARISING FROM THE AUDIT:**

a. From the aforesaid facts, audit observations, and legal provisions, it appears that the exporter M/s Indoworth India Limited (IEC: 0300009046) has received AIR drawback on the recoverable waste products. Further, while calculating the drawback claim, the AIR drawback received on this waste product was reduced from the total brand rate drawback claim. However, as per the CBIC Circular No. 108/2003 dated 17.12.2003, the entire duty incidence on the scrap value of such recoverable waste product was required to be calculated and reduced from the drawback claim which was not done.

b. It appears that M/s Indoworth India Limited (IEC: 0300009046) deliberately made misdeclaration, misstatement, and suppression of material facts in respect of the drawback claim, recoverable waste/scrap and other relevant particulars relating to fixation of Brand Rate of drawback under Rule 7 of the Customs and Central Excise Duties Drawback Rules, 2017, with mala fide intention to claim undue export benefits not legitimately admissible to them.

c. It appears that M/s Indoworth India Limited (IEC: 0300009046), by deliberately furnishing incorrect and incomplete information in relation to fixation of Brand Rate of drawback under Rule 7 of the Customs and Central Excise Duties Drawback Rules, 2017, acted in a manner which rendered the exported goods, in respect of which Brand Rate fixation was claimed under Brand Rate Letter (BRL) Order F. No. S/12-Indoworth-BR-636/2018-19 DBK/JNCH dated 26.02.2019, liable for confiscation in terms of the provisions of Section 113(i)(a) of the Customs Act, 1962.

d. Further, by virtue of the aforesaid acts and omissions, the exporter has rendered itself liable to penalty under Section 114(iii) of the Customs Act, 1962. Moreover, since the exporter appears to have knowingly used or caused to be used false and incorrect declarations, statements, and documents in the claim for drawback, they also appear liable to penalty under Section 114AA of the Customs Act, 1962.

e. Hence duty element involved on the scrap value of the waste product, wherein excess brand rate of drawback of Rs. 5,87,050/- granted vide S/12-Indoworth-BR-636/2018-19 DBK/JNCH (detailed in annexure) are liable for recovery under Rule 17 of Customs and Central Duties Drawback Rules, 2017 along with applicable interest under Section 75A(2) of the Customs Act, 1962.

6. Now, therefore M/s Indoworth India Limited (IEC: 0300009046) is hereby called upon to Show Cause to the Additional Commissioner of Customs, Adjudication Section (CAC), NS-II, Jawaharlal Nehru Custom House, Nhava Sheva, Tal. Uran, Dist. Raigad, Maharashtra 400707 within 30 days of the receipt of this notice as to why;

- i. The exported goods in respect of which Brand Rate fixation was claimed under Brand Rate Letter (BRL) Order F. No. S/12-Indoworth-BR-636/2018-19 DBK/JNCH dated 26.02.2019 should not be confiscated under the provisions of Section 113(ia) of the Customs Act, 1962.
- ii. The differential drawback amount of Rs. 5,87,050/- should not be recovered under Rule 17 of Customs and Central Duties Drawback Rules, 2017 along with applicable interest under Section 75A(2) of the Customs Act, 1962.
- iii. Penalty should not be imposed under Section 114(iii) of the Customs Act, 1962 on M/s. Indoworth India Limited (IEC: 0300009046), for their acts of omissions and commissions, in rendering the said goods liable to confiscation in terms of the provisions of Section 113(ia) of the Customs Act, 1962.
- iv. Penalty should not be imposed on firm M/s Indoworth India Limited (IEC: 0300009046) under Section 114AA of the Customs Act, 1962.

7. The noticee is required to specifically mention in their written reply as to whether they wish to be heard in person before the case is decided. In case the noticee does not submit a written reply within the aforesaid period or if they fail to attend the personal hearing, whenever it is fixed by the adjudicating authority, the case will be decided on the basis of material evidence available on record, ex-parte, without any further reference to them.

8. This Show Cause Notice is issued without prejudice to department's right to amend, modify, supplement and revise the Show Cause Notice with additional facts in support of allegation contained in the Show Cause Notice. This Notice is issued without prejudice to any other action that may be initiated against the noticee or any other person under the Customs Act, 1962 or any other Act or law for the time being in force in India in relation to the goods covered in this Show Cause Notice also.

Digitally signed by  
Wagh Chittaranjan Prakash  
Date: 12-02-2026 12:10:39

**(Dr. Chittaranjan P. Wagh)**  
**Additional Commissioner of Customs**  
**Drawback Section, NS II, JNCH**

Encl:

1. RUD-I: Brand Rate Fixation Order/letter
2. RUD II: Audit Objection Memo

3. RUD III: Annexure-A (Calculation Sheet)

To,

M/s Indoworth India Limited.  
B-130/1, MIDC Industrial Area,  
Butibori, Nagpur - 441108.

**Copy to:**

1. The Commissioner of Customs, NS-II, JNCH.
2. The Deputy/Assistant Commissioner of Customs, CAC, JNCH.
3. The Supdt./CHS, JNCH for displaying on Notice Board.
4. EDI Section, JNCH for uploading on website
5. Audit Section, JNCH
6. Office Copy.

**OFFICE OF THE COMMISSIONER OF CUSTOMS (NS-II)**  
**DRAWBACK SECTION, 4H FLOOR,**  
**JAWAHARLAL NEHRU CUSTOM HOUSE, NHAVA SHEVA,**  
**TAL. URAN, DIST-RAIGAD, MAHARASHTRA - 400 707.**

F. No. S/12-Indoworth-BR-636/2018-19 DBK/JNCH

Date: 26.02.2019

To

M/s. Indoworth India Pvt. Ltd.  
B-130, MIDC Industrial Area,  
Dist. - Nagpur, Butibori - 441 122.

Gentlemen,

Sub.: The Customs and Central Excise Duties Drawback Rules, 2017 -Fixation of Brand rate of drawback.

Please refer to your application with reference No. IIL/LEO/DBK-01/18-19 dated 24.11.2018 for fixation of Brand Rate of Drawback filed with Commissioner of Customs, JNCH.

2. As per your request the verification of claim is undertaken by this office. On the basis of records /documents/data furnished by you and verified by this office, it has been decided to allow drawback amount at the rate (s) indicated below for the exports of the goods manufactured by you.

3. The conditions of Rule 7(1) and provisions of Rule 8 of the Customs and Central Excise Duties Drawback Rules, 2017 have been fulfilled in respect of the following shipping bill and the drawback claim for fixation of Brand Rate is sanctioned and restricted as shown below:

Sr. No.	Shipping Bill No. & Date	Description of goods	Quantity Restriction (in Kgs) for the period 31.08.2018 to 30.08.2019	Drawback Brand Rate Per Kg. (in Rs.)	Total Allocation of Customs (in Rs.)
1	7266569 / 31.08.2018	Polyester Woollen Blended Weaving Yarn (Grey)	295000	37.58	11086100

The total amount of drawback sanctioned is Rs. 1,10,86,100/- (Rupees One Core Ten Lakh Eighty Six Thousand One Hundred only) for the period from 31.08.2018 to 30.08.2019.

4. This rate of drawback is restricted to exports made under above shown Shipping Bill for the period 31.08.2018 to 30.08.2019 with the above mentioned quantity restrictions until withdrawn or modified by this Commissionerate and will apply to the exports made from JNPT Nhava Sheva Port(s) in India subject to the conditions of the aforesaid rules.

5. You are also requested to note that in case of any change such as, import substitution or change in the manufacturing formula or any other alteration leading to change in the duty incidence as per the data furnished by you, you should immediately furnish fresh data for the review of rates and should not claim drawback at these rates and export thereafter might be made under provisional claim for drawback till the revised rates are communicated.

6. The difference of the amount already paid, if any at the rates indicated as per Public Notice No. Drawback /PN-5, dtd. 15.06.1995, as amended from time to time and the amount now authorised shall be payable. You are advised to file supplementary claims in respect of claims already settled under the above mentioned Public Notice with the Commissioner of Customs of the port through which you have exported the goods, under Rule 15 of the aforementioned Rules.

7. The Rate/Amount of drawback mentioned in the letter shall not be applicable to the export of any of the commodities covered by this letter, if the same has been manufactured under the provisions of Rule 18 or Rule 19 of the Central Excise Rules, 2002 or section 65 of the Customs Act, 1962 or in respect of which the facility of duty free imports of materials in terms of Duty

Exemption Scheme as contained in Export & Import policy notified under foreign Trade (Development and Regulation) Act, 1962 read with relevant Customs Notification has been availed of.

8. The Conditions of Rule 7(1) and provisions of Rule 8 of the Customs and Central Excise Duties Drawback Rules, 2017 are required to be complied with by the exporter in all other cases for the period 08.03.2018 to 30.09.2018.

9 You will register yourself with the Commissioner/Deputy Commissioner of Customs, JNCH who will maintain a record of exports which may be made by you in various ports and on his certification alone drawback at the rate/s specified above will be payable to you by the Customs authorities of the port from which exports have been effected.



(SANJAY KUMAR)

Addl. Commissioner of Customs  
Drawback Section, NS-II, JNCH.

Copy to :

1. The Commissioner of Customs (NS-II), JNCH, Nhava Sheva
2. The Deputy/ Assistant Commissioner of Customs, Audit Section, JNCH.

**Para No. 20 (A.M. No.62)**

**Reference Number: OBS-502018**

**Subject: Excess grant of brand rate duty drawback of ₹5,87,050/-**

Name of the Exporter	M/s Indoworth India Pvt Ltd
File No	S/12-Indoworth-BR-636/2018-19 DBK/JNCH Dtd.26.02.2019
Assessing Group	Drawback
Drawback involved	₹5,87,050/-

Rule 7(1) of Customs and Central Excise Duties Drawback Rules, 2017, stipulates that where, in respect of any goods, the exporter finds that the amount or rate of drawback determined under rule 3 is less than eighty *per cent*, he may, make an application to the Principal Commissioner of Customs or Commissioner of Customs within three months from the date relevant for the applicability of the amount or rate of drawback in terms of sub-rule (3) of rule 5.

Further, as per CBIC Circular No. 108/2003 dated 17.12.2003, in the process of manufacturing of export product, if some waste is sold, customs duty portion allocable to inputs gone into waste should be reduced on the basis of scrap value.

Audit examination of the DBK-I statement revealed that during manufacturing process of the output goods, there was production of some recoverable waste which had saleable value. The exporter has exported the waste product and received AIR drawback on the same. Further, while calculating the drawback claim, the AIR drawback received on waste product was reduced from the total brand rate drawback claim. However, the entire duty incidence on the scrap value of such waste product was required to be calculated and reduced from the drawback claim which was not done. The department granted the entire drawback as claimed by the exporter.

Thus, by not taking into consideration the entire duty element involved on the scrap value of the waste product which had been sold, the department has granted excess brand rate drawback of ₹5,87,050. (detailed in annexure).

Department's reply is awaited.

## ANNEXURE PARA 20 (AM62)

<b>M/s Indoworth India Pvt Ltd (Calculation Sheet)</b>		
Sr. No.	Description	Calculation
1	Quantity of imported items	339659.81 KG
2	Assessable Value of imported items	₹204815733.54
3	Total duty paid @ 5.5% on the imported items	₹11264865.18
4	Customs duty on import of 1 KG of input material (11264865.18/339659.81)	₹33.17
5	Customs duty on account of 1.139 KG of input material consumed in the manufacture of 1 KG of export material (33.17 * 1.139)	<b>₹37.78</b>
6	Recoverable waste quantity of input material per 1 KG of export material (as per DBK-I Statement)	0.095 KG
7	Sale value of recoverable waste material @ Rs.419.38 per KG (419.38 * 0.095)	₹39.84
8	Customs duty incidence on sale value of recoverable waste @ 5.5% (39.84 * 5.5%)	₹2.19
9	Effective brand rate drawback rate per 1 KG of export item (the difference of figures appearing at Sr. No. 5 and Sr. No. 8, i.e. 37.78 - 2.19)	<b>₹35.59</b>

10	Quantity exported	295000 KG
11	Drawback allowable @ Rs.35.59 on the export quantity of 295000 KG	₹10499050
12	Drawback allowed @ Rs.37.58 on the export quantity of 295000 KG	₹11086100
13	Excess allowance of drawback (11086100 - 10499050)	<b>₹587050</b>