

**OFFICE OF THE COMMISSIONER OF CUSTOMS (NS-V)**  
**सीमाशुल्कआयुक्त (एनएस - V) काकार्यालय**  
**JAWAHARLAL NEHRU CUSTOM HOUSE, NHAVA SHEVA,**  
**जवाहरलालनेहरुसीमाशुल्कभवन, न्हावाशेवा,**  
**TALUKA – URAN, DISTRICT - RAIGAD, MAHARASHTRA -400707**  
**तालुका - उरण, जिला - रायगढ़ , महाराष्ट्र 400707**

<b>DIN – 20260478NX000000D5EE</b>	<b>Date of Order:30.04.2026</b>
<b>F. No. S/10-37/2025-26/COMMR/Gr.VA/CAC/JNCH</b>	<b>Date of Issue:30.04.2026</b>
<b>SCN No.: 223/2025-26/COMMR/Gr. VA/CAC/JNCH</b>	
<b>SCN Date: 06.06.2025</b>	
<b>Passed by: Sh. Anil Ramteke</b>	
<b>Commissioner of Customs, NS-V, JNCH</b>	
<b>Order No: 24/2026-27/COMMR/GR-VA/NS-V/CAC/JNCH</b>	
<b>Name of Noticee: M/s DC INFOTECH AND COMMUNICATION LIMITED (IEC- AAHCD0449A)</b>	

**ORDER-IN-ORIGINAL**

**मूल - आदेश**

1. The copy of this order in original is granted free of charge for the use of the person to whom it is issued.

1. इस आदेश की मूल प्रति की प्रतिलिपि जिस व्यक्ति को जारी की जाती है, उसके उपयोग के लिए निःशुल्क दी जाती है।

2. Any Person aggrieved by this order can file an Appeal against this order to CESTAT, West Regional Bench, 34, P D'Mello Road, Masjid (East), Mumbai - 400009 addressed to the Assistant Registrar of the said Tribunal under Section 129 A of the Customs Act, 1962.

2. इस आदेश से व्यथित कोई भी व्यक्ति सीमाशुल्क अधिनियम 1962 की धारा 129 (ए) के तहत इस आदेश के विरुद्ध सी.ई.एस.टी.ए.टी., पश्चिमी प्रादेशिक न्यायपीठ (वेस्ट रीज़नल बेंच), 34, पी. डी.मेलो रोड, मस्जिद (पूर्व), मुंबई - 400009 को अपील कर सकता है, जो उक्त अधिकरण के सहायक रजिस्ट्रार को संबोधित होगी।

3. Main points in relation to filing an appeal: -

3. अपील दाखिल करने संबंधी मुख्य मुद्दे:-

Form - Form No. CA3 in quadruplicate and four copies of the order appealed against (at least one of which should be certified copy).

फार्म - सीए3, चार प्रतियों में तथा उस आदेश की चार प्रतियाँ, जिसके खिलाफ अपील की गयी है (इन चार प्रतियों में से कम से कम एक प्रति प्रमाणित होनी चाहिए).

**Time Limit -** Within 3 months from the date of communication of this order.

**समय सीमा -** इस आदेश की सूचना की तारीख से 3 महीने के भीतर

**Fee -फ़ीस-**

(a) Rs. One Thousand - Where amount of duty & interest demanded & penalty imposed is

Rs. 5 Lakh or less.

- (क) एक हजार रुपये जहाँ माँगे गये शुल्क एवं ब्याज की तथा लगायी गयी शास्ति की रकम 5 लाख रुपये या उस से कम है।
- (b) Rs. Five Thousand - Where amount of duty & interest demanded & penalty imposed is more than Rs. 5 Lakh but not exceeding Rs. 50 Lakh.
- (ख) पाँच हजार रुपये – जहाँ माँगे गये शुल्क एवं ब्याज की तथा लगायी गयी शास्ति की रकम 5 लाख रुपये से अधिक परंतु 50 लाख रुपये से कम है।
- (c) Rs. Ten Thousand - Where amount of duty & interest demanded & penalty imposed is more than Rs. 50 Lakh.
- (ग) दस हजार रुपये – जहाँ माँगे गये शुल्क एवं ब्याज की तथा लगायी गयी शास्ति की रकम 50 लाख रुपये से अधिक है।

**Mode of Payment** - A crossed Bank draft, in favor of the Asstt. Registrar, CESTAT, Mumbai payable at Mumbai from a nationalized Bank.

**भुगतान की रीति** – क्रॉस बैंक ड्राफ्ट, जो राष्ट्रीय कृत बैंक द्वारा सहायक रजिस्ट्रार, सी.ई.एस.टी.ए.टी., मुंबई के पक्ष में जारी किया गया हो तथा मुंबई में देय हो।

**General** - For the provision of law & from as referred to above & other related matters, Customs Act, 1962, Customs (Appeal) Rules, 1982, Customs, Excise and Service Tax Appellate Tribunal (Procedure) Rules, 1982 may be referred.

**सामान्य** - विधि के उपबंधों के लिए तथा ऊपर यथा संदर्भित एवं अन्य संबंधित मामलों के लिए, सीमाशुल्क अधिनियम, 1962, सीमाशुल्क (अपील) नियम, 1982, सीमाशुल्क, उत्पाद शुल्क एवं सेवा कर अपील अधिकरण (प्रक्रिया) नियम, 1982 का संदर्भ लिया जाए।

4. Any person desirous of appealing against this order shall, pending the appeal, deposit 7.5% of duty demanded or penalty levied therein and produce proof of such payment along with the appeal, failing which the appeal is liable to be rejected for non-compliance with the provisions of Section 129E of the Customs Act 1962.

4. इस आदेश के विरुद्ध अपील करने के लिए इच्छुक व्यक्ति अपील अनिर्णीत रहने तक उसमें माँगे गये शुल्क अथवा उद्गृहीत शास्ति का 7.5 % जमा करेगा और ऐसे भुगतान का प्रमाण प्रस्तुत करेगा, ऐसा न किये जाने पर अपील सीमाशुल्क अधिनियम, 1962 की धारा 129 E के उपबंधों की अनुपालना न किये जाने के लिए नामंजूर किये जाने की दायी होगी।

**Subject: - Adjudication of Show Cause Notice No. 223/2025-26/COMMR/Gr. VA/CAC/JNCH dated 06.06.2025 issued to M/s DC INFOTECH AND COMMUNICATION LIMITED (IEC- AAHCD0449A) - reg.**

**BRIEF FACT OF THE CASE**

On the basis of the data analysis, during premise-based audit, it is observed that M/s DC INFOTECH AND COMMUNICATION LIMITED (IEC- AAHCD0449A) (now hereinafter referred to as 'the Importer') have imported following items (as mentioned Annexure-A) herein after called "the impugned goods"):

- (i) SFP MODULE, 10GE SR + MODULE NON CARRIER INTERFACE CONVERTER FOR DATA NETWORKING
- (ii) SFP MODULE, 1000BASE-LX GBIC, AGM732F NON CARRIER INTERFACE CONVERTER FOR DATA NETWORKING
- (iii) SFP MODULE, 10GE SR + MODULE, AXM761-10000S NON CARRIER INTERFACE CONVERTER FOR DATA NETWORKING
- (iv) SFP MODULE, 3M DIRECT ATTACH CABLE, AXC763-10000S NON CARRIER INTERFACE CONVERTER FOR DATA NETWORKING
- (v) SFP MODULE, 1M + DIRECT ATTACH CABLE, AXC761-10000S PARTS FOR ETHERNET SWITCH
- (vi) SFP MODULE, 1000BASE-LX GBIC, AGM732F PARTS FOR ETHERNET SWITCH
- (vii) SFP MODULE, 10GBASE-LR + AXM762 PK10 BNDL, AXM762P10-10000S PARTS FOR ETHERNET SWITCH
- (viii) SFP MODULE, 1000BASE-T W/LOS, CU, RJ45, 8-PACK, 321-2316 PARTS FOR ETHERNET SWITCH etc.

2. The goods under import were assessed under CTI 85177090 and CTI 85176290, and the importer discharged the applicable duties at the time of clearance. In respect of the goods classified under CTI 85177090, the importer availed the benefit of exemption under Serial No. 5 of Notification No. 57/2017-Cus. dated 30.06.2017, as amended, and accordingly paid Basic Customs Duty (BCD) at Nil rate. In respect of the goods classified under CTI 85176290, the importer paid BCD at the concessional rate of 10% in terms of Serial No. 20 of the said Notification. Further, Integrated Goods and Services Tax (IGST) at the rate of 18% was discharged on the imported goods in accordance with the applicable statutory provisions.

3. Customs tariff subheading 8517 62 includes machines for the reception, conversion and transmission or regeneration of voice, images or other data, including switching and routing apparatus. Note 5 of Section XVI defines the expression "machine" as any machine, machinery, plant, equipment, apparatus or appliance cited in the headings of Chapter 84 or 85. The relevant portion i.e. para G of the WCO Explanatory Notes of the HSN 8517 pertaining to Other Communication apparatus is produced below for reference-

(G) Other Communication apparatus

This group includes apparatus which allows for the connection to a wired or wireless communication network or the transmission or reception of speech or other sounds, images or other data within such a network.

Communication networks include, inter alia, carrier-current line systems, digital-line systems and combinations thereof. They may be configured, for example, as public switched telephone networks, Local Area Networks (LAN), Metropolitan Area Networks (MAN) and Wide Area Networks (WAN), whether proprietary or open architecture. This group includes:

- (i) Network Interface Cards (e.g., Ethernet interface cards).
- (ii) Modems (combined modulators-demodulators).
- (iii) Routers, bridges, hubs, repeaters and channel to channel adaptors.
- (iv) Multiplexers and related line equipment (e.g., transmitters, receivers or electro-optical converters).
- (v) Codecs (data compressors/decompressors) which have the capability of transmission and reception of digital information.

In terms of Explanatory Notes to the HSN, line cards, interface cards, transmitters, receivers, electro - optical converters, etc. are covered under the category of goods which allow for the connection to a wired or wireless communication network or the transmission or reception of speech or other sounds, images or other data within such a network and are appropriately classifiable as other communication apparatus under tariff item 85176290.

**3.1** The impugned goods have been declared as "SFP MODULE, TRANSCEIVER, having different model nos." and classified under Customs tariff item (CTI) 85177990. Whereas CTI 85177990 is applicable for other parts of goods covered under heading 8517. The imported goods are described as SFP module transceiver i.e. a device which is a combination of transmitter and receiver. The functioning of the transceivers is converting electrical signal into optical signal at one end and vice versa at another end. It facilitates efficient data transmission over optical fibers. When transmitters, receivers, electro - optical converters have been specified as apparatus under sub heading 851762, the same cannot be classified under sub heading 851779 as parts.

**3.2** The impugned goods, SFPs etc. are trans-receivers facilitate seamless conversion of Ethernet signals into optical signals to transfer and receive data. It is pertinent to mention that SFP stands for Small Form- Factor Pluggable. SFP transceivers allow networks to be expanded without the expense of upgrading the entire system. An SFP module is simply a small modular transceiver that plugs into an SFP port on a network switch or server.

**3.3** Therefore, SFP has a predefined role and function. There is no requirement for every apparatus to have its own independent power supply. For example, Pen drives/flash drives, USB modems don't have their own power supply, still they are apparatus and a pen drive is not considered as a part of a computer, even though it is mostly used with the computers. Therefore, the impugned goods are able to perform a particular task and hence, falls within

the definition of apparatus. Accordingly, impugned goods merits classification under CTI 85176290 of Customs Tariff Act, 1975 as other communication apparatus.

**3.4** The Explanatory Notes to the Harmonized System of Nomenclature issued by the WCO specifies Interface Cards, Transmitters, Receivers or Electro Optical Convertors, Multiplexers, related Line Equipment etc., as Other Communication Apparatus for connection or the transmission or reception of voice, image and data within a communication network.

**3.5** In view of above, the SFP transceiver is an apparatus works as mentioned above. As per World Customs Explanatory notes the transmitter, receiver and opto-electrical convertors are rightly classifiable in the category of 'Other Communication Apparatus' under Sub- Heading 8517.62 which pertains to "Machines for the reception, conversion and transmission or regeneration of voice, images or other data including switching and routing apparatus". Therefore, the said goods do not appear to be classifiable under Sub-Heading 8517.79 meant for 'Parts'.

**3.6** There are two types of transceivers imported by the importer which are copper transceiver and optical transceiver. SFP MODULE, TRANSCEIVER, 1000BASE-T which is a copper transceiver as mentioned in the catalogue of goods. 1000BASE-T is a standard for Gigabit Ethernet over copper wiring. Copper transceivers use RJ45 connectors. A copper SFP is a type of transceiver module used in networking environments that allows for the transmission of data over copper cables. It is commonly used in Ethernet networks to connect switches, routers, and other networking devices. Copper SFPs are designed to support various Ethernet standards, such as Fast Ethernet (10/100 Mbps) and Gigabit Ethernet (1000 Mbps). They provide a cost-effective solution for short-range data transmission, typically up to a distance of 100 meters. On the other hand, the optical transceivers also known as a fiber optic transceiver or optical module, is a small, packaged device that uses fiber optic technology to transmit and receive data. It consists of various form factors such as SFP, GBIC, SFP+, QSFP, QSFP+, QSFP28 etc. They use various forms of connector such as LC connector (applicable to QSFP, SFP, SFP+, SFF, and XFP transceivers), SC connector (applicable to BIDI SFP, GBIC, X2, XENPAK, and 1×9 transceivers), ST and FC connector (applicable to 1×9 transceivers), and MPO connector (applicable to QSFP+, SR4, and CXP modules).

**3.7** The applicability of Notification No. 57/2017-Cus. dated 30.06.2017, as amended, to the impugned goods was examined. It appears that Serial No. 5 of the said Notification provides exemption from Basic Customs Duty (BCD) in respect of specified goods classifiable under the relevant tariff headings, whereas Serial No. 20 provides for concessional rate of duty subject to specified conditions and exclusions. It is observed that Serial No. 20 of the Notification specifically excludes Optical Transport Equipment and Optical Transport Network (OTN) products from its scope. It appears that the impugned goods, namely SFP module transceivers, are Optical Transport Network (OTN) products, inasmuch as they are stated to facilitate efficient data transmission over

optical fibres. It further appears that the said goods function as transmitter, receiver, and electro-optical converters, and are used in conjunction with compatible network hardware switch ports for enabling fast and reliable data transmission through optical networks. In view of the above, it appears that SFP module transceivers, being apparatus/machines classifiable as Optical Transport Network equipment, are not eligible for the benefit of Serial No. 20 of Notification No. 57/2017-Cus. dated 30.06.2017, as amended, and are accordingly liable to Basic Customs Duty at the rate applicable under CTI 85176290.

**3.8** It appears that the benefit of Serial No. 5 of Notification No. 57/2017-Cus. dated 30.06.2017, as amended, is not available to the impugned goods in the present case. Serial No. 5 of the said Notification grants exemption from Basic Customs Duty only to specified goods classifiable as “parts” of telecommunication or networking equipment falling under the relevant tariff headings, i.e., where the goods are correctly classifiable as parts under the Customs Tariff. However, in the instant case, it appears that the importer has misclassified the impugned SFP module transceivers under CTH 8517 79 90 as “parts” of telecommunication equipment and has accordingly availed the benefit of Serial No. 5 of Notification No. 57/2017-Cus., dated 30.06.2017, as amended. On such declared classification, Nil rate of Basic Customs Duty has been claimed and allowed. It is, however, observed that the correct classification of the impugned goods appears to be under CTH 8517 62 90 as “other communication apparatus” and not under CTH 8517 79 90 as claimed by the importer. Since Serial No. 5 of the Notification is applicable only to goods correctly classifiable as “parts”, the said benefit is intrinsically linked to and dependent upon correct classification under the tariff. Therefore, once it appears that the impugned goods are not classifiable as “parts” under CTH 8517 79 90, but are appropriately classifiable as apparatus under CTH 8517 62 90, the very foundational condition for availing exemption under Serial No. 5 fails. Consequently, the benefit of Serial No. 5 of Notification No. 57/2017-Cus. dated 30.06.2017, as amended, appears to have been wrongly availed by the importer. Accordingly, it appears that the importer has wrongly classified the goods under CTH 8517 79 90 with an intent to avail the benefit of exemption under Serial No. 5 of the Notification, whereas the correct classification under CTH 8517 62 90 renders the goods ineligible for such exemption, thereby resulting in short payment of Basic Customs Duty.

**4.** The above act/omission makes the importer liable for payment of differential duty which worked out to be to Rs. 76,13,471/- (Rupees Seventy-Six Lakh Thirteen Thousand Four Hundred Seventy-one only) (as per Annexure A) with applicable interest/penalty.

**5.** Accordingly, the importer was issued a Consultative No. 1935 dated 21.03.2025 vide File No. CADT/CIR/ADT/PBA/165/202-CIR-C2-O/o- COMMR-CUS-ADT-ZONE-I- MUMBAI to pay the differential duty as per Annexure A, or to reply with the relevant supporting documents, if any. However, the Auditee neither paid the differential duty nor submitted their reply till date.

**6.** Hence, it appears that the goods are to be correctly classifiable under CTH 8517 wherein IGST rate is 18%. The total differential duty to be recovered is Rs. 76,13,471/- (Rupees Seventy-Six Lakh Thirteen Thousand Four Hundred Seventy-one only). It is pertinent to

mention here that the Noticee did not file any submission against said CL issued on 21.03.2025 till date.

7. Hence, it appears that there was a willful intention on the part of the Noticee in order to evade legitimate customs duty. Accordingly, the action of the Noticee to wrongfully claim the IGST on the subject goods appears to be an act of willful mis-statement and suppression of facts and the improper action of the importer warrants action for recovery of duty under Section 28(4) of the Customs Act, 1962.

#### **8. Statutory Provisions**

The extracts of the relevant provisions of following laws relating to self-assessment, import of goods in general, the liability of the goods to confiscation and person concerned to penalty for illegal importation under the Customs Act, 1962 and other laws for the time being in force, were mentioned in the subject SCN. The same are not reproduced in this Order-in-Original for the sake of brevity:

- (i) Section 17. Assessment of duty
- (ii) Section 28 - Recovery of duties not levied or not paid or short-levied or short-paid or erroneously refunded.
- (iii) Section 28AA - Interest on delayed payment of duty.
- (iv) Section 46 - Entry of goods on importation.
- (v) Section 111 - Confiscation of improperly imported goods, etc.
- (vi) Section 112 - Penalty for improper importation of goods, etc.
- (vii) Section 114A - Penalty for short-levy or non-levy of duty in certain cases.
- (viii) Section 117 - Penalties for contravention, etc. not expressly mentioned

#### **9. Acts of omission and commission by the Importer:**

**9.1** As per section 17(1) of the Act, "An Importer entering any imported goods under section 46, shall, save as otherwise provided in section 85, self-assess the duty, if any, leviable on such goods. As the importer got monetary benefit due to said act, it is apparent that the same was done deliberately by willful mis-classification of the said goods in the Bills of Entry during self-assessment. Therefore, differential duty is recoverable from the importer under Section 28(4) of the Customs Act, 1962 along with applicable interest as per Section 28AA of the said Act.

**9.2** It appears that the importer has given a declaration under Section 46(4) of the Act, for the truthfulness of the content submitted at the time of filing Bill of Entry. However, the applicable rate on the subject goods was not paid by the Importer at the time of clearance of goods. It also appears that the Importer has submitted a false declaration under Section 46(4) of the Act. By the act of presenting goods in contravention to the provisions of Section 111(m) and/or 111(o), it appears that the importer has rendered the subject goods liable for confiscation under Section 111(m) and/or 111(o) of the Act. For the above act of deliberate omission and commission that rendered the goods liable to confiscation. Accordingly, the Importer also appears liable to penal action under Section 112 (a) and /or 114 A and of the Customs Act, 1962.

**10.** Section 111(m) of Customs Act, 1962 provides any goods which do not correspond in

respect of value or in any other particular] [ *Substituted by Act 36 of 1973, Section 2, for certain words (w.e.f. 1.9.1973).*] with the entry made under this Act or in the case of baggage with the declaration made under section 77 [in respect thereof, or in the case of goods under transshipment, with the declaration for transshipment referred to in the proviso to sub-section (1) of section 54];

Section 111(o) of Customs Act, 1962 provides for confiscation of the goods if any goods exempted, subject to any condition, from duty or any prohibition in respect of the import thereof under this Act or any other law for the time being in force, in respect of which condition is not observed unless the non-observance of the condition was sanctioned by the proper officer.

11. Therefore, in exercise of the powers conferred by Section 28 of the Customs Act, 1962, the importer M/s DC INFOTECH AND COMMUNICATION LIMITED (IEC CODE-AAHCD0449A) were hereby called upon them to Show Cause to the Commissioner of Customs, NS-V, Jawaharlal Nehru Custom House, Nhava Sheva, Taluka- Uran, District – Raigad, Maharashtra - 400707, within 30 days of the receipt of this notice, as to why:

- (i) The subject goods imported vide Bills of Entry as detailed in annexure-A should not be confiscated under Section 111(m) and/or 111(o) of the Customs Act, 1962;
- (ii) The differential duty amounting to Rs. 76,13,471/- (Rupees Seventy-Six Lakh Thirteen Thousand Four Hundred Seventy-one only) as detailed in the Annexure-A should not be demanded and recovered from them in terms of Section 28(4) of the Customs Act, 1962.
- (iii) The applicable interest on the amount specified above should not be recovered from them in terms of Section 28AA of the Customs Act, 1962.
- (iv) Penalty should not be imposed on them under Section 112(a) and/or 114A of the Customs Act, 1962.

#### **WRITTEN SUBMISSION AND PERSONAL HEARING**

12. M/s DC INFOTECH AND COMMUNICATION LIMITED, in their submission dated 30.03.2026 contended that:

(i) that the very issue which is sought to be re-agitated in the present SCN already stands adjudicated in favour of the Noticees in their own case by the Ld. Principal Commissioner of Customs, Air Cargo Complex, Andheri (E) vide Order-in-Original CAO No. CC-MC/38/2025-26 Adj (I) ACC dated 11.09.2025. The said Order arose out of Show Cause Notice No. 748/2024-25 dated 04.03.2025, which pertained to identical goods i.e. SFP Modules / Transceivers, imported by the very same Noticees, for use in the same main equipment, and involved the same tariff dispute between Tariff Item 8517 62 90 and Tariff Item 8517 79 90, as well as the eligibility to exemption under Notification No. 57/2017-Cus. dated 30.06.2017.

(ii). The said Order-in-Original dated 11.09.2025, after examination of the technical literature, product catalogues, HSN Explanatory Notes, Section Notes, past imports, and binding judicial precedents, the Ld. Principal Commissioner categorically held that SFP Transceivers are not independent apparatus but are parts of the main network. It was specifically found that the imported SFPs cannot perform any independent function, operate only when plugged into line

cards/modules, and merely act as interface components facilitating signal conversion within the equipment. Basis the above technical facts, the Ld. Principal Commissioner accepted the classification of the SFP Transceivers under Tariff Item 85177990 as "Parts" and further held that such SFPs are eligible to exemption benefit under Sr. No. 5 of Notification No. 57/2017-Cus., dated 30.06.2017. Pertinently, the customs department has not challenged the above findings in the Order-in-Original dated 11.09.2025 before the Hon'ble CESTAT.

(iii). that the present SCN proceeds on the very same factual foundation, involves the same Noticees, covers the same description and functionality of goods, and raises the same issue of classification and exemption. Thus, once a competent adjudicating authority has conclusively ruled on the classification of the very same goods in the Noticees' own case, the present issue stands settled. In this regard, reliance is placed on the judgment of High Court at Calcutta in **Opal Exports Vs. CC – 1992 (60) ELT 232 (Cal.)** wherein the Court held that "*different Collectorates of Customs cannot adopt different stands on a particular issue*".

On this ground alone, the present SCN is without jurisdiction, unsustainable in law, and liable to be dropped.

The above Order-in-Original dated 11.09.2025 of the Principal Commissioner of Customs, ACC, Andheri has been passed basis various binding judicial precedents on the identical issue.

(iv). that the issue of classification of Transceivers, SFPs, CFPs, XFPs stands settled by the decision of Hon'ble CESTAT, Mumbai bench in **CC Vs. Reliance Jio Infocomm – 2022 (8) TMI 76**. The Hon'ble CESTAT held that these goods being 'Parts' are correctly classifiable under Tariff Item 8517 70 90 (now 8517 79 90) of the Customs Tariff. The aforesaid decision has also been affirmed by the Hon'ble Supreme Court.

(v). Following the above binding decision, the Hon'ble CESTAT, Mumbai in the case of **Ciena Communication Vs. Pr. CC – 2024 (1) TMI 683** (also maintained by the Hon'ble Supreme Court at 2025 (1) TMI 492 - SC Order) held that 'Small-form Factor Pluggable', i.e., SFP (Transceivers) are classifiable under Tariff Item 8517 70 90 (now 8517 79 90) as 'Parts'. In similar vein, the Hon'ble CESTAT, Mumbai in the case of **IBM Vs. CC – 2024 (4) TMI 972** (also maintained by the Hon'ble Supreme Court at 2025 (1) TMI 860 - SC Order) following the decisions mentioned above, has held that SFPs are classifiable under Tariff Item 8517 70 90 (now 8517 79 90).

(v). the Hon'ble CESTAT, New Delhi, in **Vodafone Idea Vs. Pr. CC – 2025 (1) TMI 556**, has once again affirmed that imported SFP Transceivers, being parts of telecom / network equipment, are classifiable under Tariff Item 8517 70 90 (now 8517 79 90). The consistent line of authority across multiple Benches of the Tribunal thus leaves no scope for any contrary interpretation. The decision of Hon'ble CESTAT has been maintained by the Hon'ble Supreme Court at **2024 (12) TMI 1526 - SC Order**.

(vi). that the issue regarding classification of SFP (Transceivers) stands unequivocally and

conclusively settled in favour of the assessee, and the impugned proposal seeking to reclassify the very same goods is directly contrary to settled law.

(vii). It is further pertinent to note that in **Reliance Jio Infocomm supra**, while the matter was carried to the Hon'ble Supreme Court, the customs department, upon instructions, expressly accepted the classification of the imported goods as held by the Commissioner (Appeals), Hyderabad. The Hon'ble Supreme Court recorded this categorical stand of the department and dismissed the civil appeal accordingly. The relevant portion of the order [2023 (2) TMI 1295 - SC Order] reads as under:

“...after getting instructions, that the **classification as has been done in the impugned order, has been accepted by the Department-Revenue** (See order dated 25.01.2017 passed by Commissioner of Customs and Central Excise (Appeals), Hyderabad). In view of the aforesaid fact, the civil appeals are dismissed. ...”

(viii). In view of the above, the department cannot now be permitted to approbate and reprobate by seeking to reopen an issue which has been authoritatively settled and accepted up to the level of the Hon'ble Supreme Court. On this ground alone, the present SCN is liable to be dropped.

(ix). Considering the above, it is submitted that a quasi-judicial authority is bound by judicial precedents issued by a Superior Court or Tribunal or Senior Officer. The above flows from the basic principle of judicial discipline. Hence, it is submitted that the aforesaid settled judicial precedents are binding on the customs department. Reliance is placed on **Union of India v. Kamlakshi Finance Corporation Ltd. (1991 55 ELT 433 (SC))**, the above was reiterated by the Hon'ble Supreme Court in the following manner:

“It cannot be too vehemently emphasised that it is of utmost importance that, in disposing of the quasi-judicial issues before them, revenue officers are bound by the decisions of the appellate authorities. **The order of the Appellate Collector is binding on the Assistant Collectors working within his jurisdiction** and the order of the Tribunal is binding upon the Assistant Collectors and the Appellate Collectors who function under the jurisdiction of the Tribunal. The principles of judicial discipline require that the orders of the higher appellate authorities should be followed unreservedly by the subordinate authorities.”

(x). In any case, the entire demand in the present case is barred by normal period of limitation. The customs department has failed to prove any collusion or mis-statement on behalf of the Noticees. Hence, invocation of extended period of limitation is bad in law.

(xi). that the present dispute pertains to the SFP classified under Tariff Item 8517 62 90 and 8517 79 90. The subject goods imported vide 18 Bill(s) of Entry filed during the period 09.06.2020 till 07.01.2023 and classified under Tariff Item 8517 62 90 are alternatively classifiable under Tariff Item 8517 79 90:

(xii). It is a well settled law that once the department re-opens the assessment and demands differential duty, assessee is entitled to claim a classification that is different from one claimed at the time import. In this regard, emphasis is placed on the decision of the Hon'ble CEGAT, New Delhi in **Lili Foam Industries Vs. CCE – 1990 (46) ELT 462**, wherein *inter alia*, it has been held that once the assessments are re-opened by the department, the assessee is entitled to question the rate of duty originally applied. The relevant paragraph of the judgment reads as under:

“24 ... Also, even though an assessee may not contest the correct rate of duty on a commodity cleared by him earlier, whenever the Department seeks to reopen the assessment and demands differential duty for whatever reasons, it is open to the assessee to contest the demand of the higher differential duty with an argument that the rate of duty originally applied was wrong. Even if the allegations against them in the proceedings are found to be correct the quantum of differential duty to be paid by them can be questioned. The Tribunal simply cannot shut out such an argument of the Noticee on the ground that he has not raised the dispute regarding the rate of duty until the proceedings are initiated against him...”

(xiii). In *Polydyne Corporation Vs. CCE – 1999 (108) ELT 94 (Tri. -Del)*, it was held that once the matter has been reopened by the department and duty demand has been raised, it is open to the assessee to challenge the rate of duty and the classification of the product. The relevant paragraph of the judgment reads as under:

“6. We note that the adjudicating authority has declined to go into the issue of correct classification of this product for the reason that the assessee had not challenged the approval of its classification under TI 68 (up to 28-2-1986) or CET sub-heading 39.10 (from 1-3-1986 onwards). However, we agree with the assessee's contention that once the matter has been reopened by the Department and duty demand has been raised it is open to the assessee to challenge the rate of duty. This is the view that has been taken by the Tribunal in the case of *Lili Foam Industries (P) Ltd. v. Collector of Central Excise* reported in 1990 (46) E.L.T. 462. Para 24 which is relevant to this aspect is reproduced below:

...  
7. The decision in the *Lili Foam* case has been followed in *Decora Ceramics v. Collector* reported in 1998 (100) E.L.T. 297.

*In the light of the above case law, we hold that the Noticee are not estopped from challenging the classification of the product. However, since there is no independent finding on the correct classification of Silmar 007, we remand the matter to the jurisdictional Commissioner for deciding the classification of this product and for considering the alternate plea of time bar as regards the demand of duty on this product.”* Reliance is also placed on the following decisions of the Hon'ble Tribunal:

- a. **Bakeman's Home Products Vs. CC – 1997 (95) ELT 278 (Tribunal);**
- b. **Decora Ceramics Vs. CCE – 1998 (100) ELT 297 (Tribunal).**

(xiv) The present SCN seeks to re-open the assessment undertaken by the Noticees for imports of SFPs under Tariff Item 8517 62 90 of the Customs Tariff, the Noticees are entitled to adopt alternate classification (i.e., Tariff Item 8517 79 90) which is more specific to the product.

(xv). That the issue of classification of Transceivers, SFPs, CFPs, XFPs stands settled by various decisions of the Hon'ble CESTAT on this very issue wherein similar goods have been classified as 'parts' under sub-Heading 8517.79. In the decision of Hon'ble CESTAT, Mumbai in **Reliance Jio Infocomm supra**, it was held that these goods being parts are correctly classifiable under Tariff Item 8517 79 90 (erstwhile 8517 70 90). The above decision has been maintained by the Hon'ble Supreme Court at **2023 (2) TMI 1295 - SC Order; that** SFPs on a standalone basis are 'Parts' of a network security / telecom equipment. These SFP are first plugged into the Line cards/ modules / boards which are then inserted into the network security / telecom equipment. Therefore, SFPs are classifiable as Parts under Tariff Item 8517 79 90 of the Customs tariff by virtue of Note 2 to Section XVI. Note 2 to Section XVI of the Customs Tariff Act provides for the rules to be followed while classifying 'parts of machines' falling under Chapters 84 and 85. Note 2(a) to Section XVI of the Customs Tariff provides that parts which are goods included in any of the headings of Chapter 84 or 85, other than certain specified Chapter headings, are in all cases to be classified in their respective headings. Further, Section Note 2(b) is to be applied only in cases where such parts cannot be classified as per Section Note 2(a).

"2. Subject to Note 1 to this Section, Note 1 to Chapter 84 and to Note 1 to Chapter 85, parts of machines (not being parts of the articles of heading 8484, 8544, 8545, 8546 or 8547) are to be classified according to the following rules:

(a) parts which are goods included in any of the headings of Chapter 84 or 85 (other than headings 8409, 8431, 8448, 8466, 8473, 8487, 8503, 8522, 8529, 8538 and 8548) are in all cases to be classified in their respective headings;

(b) other parts, if suitable for use solely or principally with a particular kind of machine, or with a number of machines of the same heading (including a machine of heading 8479 or 8543) are to be classified with the machines of that kind or in heading 8409, 8431, 8448, 8466, 8473, 8503, 8522, 8529 or 8538 as appropriate. However, parts which are equally suitable for use principally with the goods of headings 8517 and 8525 to 8528 are to be classified in heading 8517;

(c) all other parts are to be classified in heading 8409, 8431, 8448, 8466, 8473, 8503, 8522, 8529 or 8538 as appropriate or, failing that, in heading 8487 or 8548."

(xvi) That HSN Explanatory Notes to Note 2 of Section XVI under the Customs Tariff Act are also pertinent to the present matter. The HSN Explanatory Notes clearly states that an item will not be considered as a 'part' if, on a standalone basis, it can

be considered as an article classifiable under its own appropriate heading. Customs Tariff under sub-Heading 8517.79, specifically identifies and recognizes 'Populated, loaded or stuffed printed circuit boards' as Part under Tariff Item 8517 79 10. Other parts are classifiable under Tariff Item 8517 79 90. SFP provides interface between electrical input and optical output, vice versa. They are specifically designed for used in Line cards / modules / boards to connect with transmission elements. Line cards / modules / boards are in nature of 'Populated, loaded or stuffed printed circuit boards. These SFPs are embedded / plugged into these line cards / modules / boards. Line cards / modules / boards are one of the essential parts of network security / telecom equipment, which uses SFP and provides interface to inter-connect with transmission elements including switches, servers and other equipment viz. network security or telecom equipment in a data centre or network. The line cards / modules / boards using SFPs become functional when plugged into the slots in the network security / telecom equipment from where it derives the source power and intelligence. These line cards / modules / boards embedded with SFPs cannot perform their function on a stand-alone basis since they lack power and intelligence. Further, function(s) performed by the line cards / modules / boards using SFPs are integral and inseparable from the function(s) performed by the main network security equipment. To conclude, the line cards / modules / boards and Transceivers cannot work on their own and work as a component to extend the functionality of the network security equipment. Hence, both Line cards/ modules / boards and Transceivers are parts only of the network security equipment. In other words, these goods necessarily require complete equipment i.e., network security equipment (including other components viz., line cards, switch boards, etc.) to function and give any meaningful output. Further, there is no individual function performed by these goods which is distinct from that of the main equipment.

(xvii) That globally, line cards are classifiable under sub-Heading 8517.90 as parts. In this regard, please refer to the following cross rulings:

- a) Cross Ruling No. HQ 967631 dated 14.12.2005. The product 'line cards for network switches' are classified as part under 8517.90.
- b) Cross Ruling No. NY K88062 dated 09.08.2004. The product '1 T1 Port WAN Interface Card (WIC-1DSU-T1)' a printed circuit assembly card used as an expansion/add-on device inside many of Cisco's family of stand-alone routers, are classified as part of router under 8517.90.

(xviii). The Noticees place reliance on the decision of the Hon'ble CESTAT, Mumbai bench in CC Vs. Reliance Jio Infocomm - 2022 (6) TMI 1051 at paras 13, 16, 18 and 20, has held that Cards / Modules of DWDM equipment and other telecom equipment are parts and not machines, and are correctly classifiable under sub-Heading 8517.70 (presently, sub-Heading 8517.79). This decision of the Hon'ble CESTAT has been maintained by the Hon'ble Supreme Court in 2023 (1) TMI 1297 - SC ORDER. Further, the Hon'ble CESTAT, New Delhi bench

in the case of Vodafone Idea Vs. Pr. CC- 2022-VIL-696-CESTAT-DEL-CU has held classification of 'Router Line Cards' under sub-Heading 8517.70 (erstwhile sub-Heading 8517.79) of the Customs Tariff. This decision stands accepted by the customs department.

(xvi). It is settled law that part of a part is a part of the whole, as held by the Hon'ble Supreme Court in CCE Vs. Motor Industries Limited – 2003 (152) ELT 36, at para 7 and on similar lines, reliance is also placed on decisions of the Hon'ble Tribunal in CCE Vs. Mahendra Engg. Works – 1993 (67) ELT 134, at para 5, 5.1-5.3, and 8, which stands affirmed by the Hon'ble Supreme Court at 2002 (141) ELT A284, and in Pushpam Forging Vs. CCE – 2006 (193) ELT 334, at para 2.1, 2.2, and 2.3.

In view of the above, once line cards / modules are classifiable as 'part' of a main equipment such as network security equipment, then SFPs which are embedded / plugged on these line cards are definitely classifiable as 'Part' only. Hence, these parts are neither an apparatus (as understood under Sub-Heading 8517.62) nor a machine (as understood under Sub-Heading 8517.69), but a 'part'. Further, these parts are not specifically covered by description in any other Headings of Chapter 84 or 85. Accordingly, it is correctly classifiable under sub-Heading 8517.79 of the Customs Tariff.

(xix). Further, in another OEM's case i.e., Huawei Telecommunication India Vs. CC – 2023 (10) TMI 323 - CESTAT MUMBAI, the Hon'ble CESTAT, by following the ratio in Reliance Jio supra, has held that 'Pluggable', i.e., SFPs are in the nature of parts and conclusively classifiable under Tariff Item 8517 70 90 (now 8517 79 90). This was maintained by the Hon'ble Supreme Court vide Order dated 26.07.24. Reliance is placed on the below-mentioned decisions wherein the Hon'ble Courts have held that 'SFP' is a 'Part' of the Main Equipment and correctly classifiable under sub-Heading 8517.70 (now 8517.79):

- c. **Nokia Vs. CAAR - 2025 (2) TMI 1023 – DHC;**  
**Maintained by Hon'ble Supreme Court at 2025 (11) TMI 24 – SC Order;**
- d. **Vodafone Idea Vs. CC – 2025 (1) TMI 556 - CESTAT, Delhi;**  
**Maintained by Hon'ble Supreme Court at 2024 (12) TMI 1526 – SC Order;**
- e. **Vodafone Idea Vs. CC – 2024 (7) TMI 561 - CESTAT, Delhi;**  
**Maintained by Hon'ble Supreme Court at 2025 (1) TMI 495 – SC Order**

(xx). HSN Explanatory Notes to Heading 84.79 (extracted below) explains that a 'machine' is something which has an individual function. "This heading is restricted to machinery having individual functions, which is not excluded from this Chapter by the operation of any Section or Chapter Note and is not covered more specifically by a heading in any other Chapter of the Nomenclature and cannot be classified in any other particular heading of this Chapter since no other heading covers it by reference to its method of functioning, description or type and no other heading covers it by reference to its use or to the industry in which it is employed or it could fall equally well into two (or more) other such headings (general purpose machines). The machinery of this heading is distinguished from the parts of machinery, etc., that fall to be classified in accordance with the general provisions concerning parts, by the fact that it has individual functions. Thus, in terms of HSN Explanatory Notes and also case laws discussed

above, it is the Noticees' submission that the test for determining whether an item is classifiable as a part / component is as follows:

- (i) Whether the item has a separate identifiable / individual function of its own, when compared to the main machine; and
- (ii) Whether the item is capable of operating independently of the main machine on its own.

If the answer to both of the above questions is 'No', then the item would be classifiable as 'Parts'. Further, in such a case, the item will not be classifiable as an apparatus falling under its own appropriate heading.

Accordingly, SFPs are classifiable as part under Tariff Item 8517 79 90. The effective rate of BCD for Tariff Item 8517 79 90 is 'Nil' in terms of Sr. No. 5 of Notification No.57/17- Cus., dated 30.06.2017 as amended. SFPs cannot be classified specifically by the name ascribed to them in relation to their function; they do not qualify for classification in any other heading in the nomenclature; that since they are indisputably composite 'in circuit' parts of the line cards / modules / boards which themselves qualify as parts and accordingly, SFPs equally qualify as 'parts'. Hence, the imported SFPs are correctly classifiable under Tariff Item 8517 79 90 of the Customs Tariff as 'Parts'.

(xxi). Further, the subject goods are exempted from payment of basic custom duty under Sr. No. 5 of Notification No.57/17-cus., dated 30.06.2017 as amended. Sr. No. 5 of Notification No.57/17-Cus., dated 30.06.2017 as amended grants complete exemption from payment of basic custom duty on import of all goods other than parts of cellular phones falling under Tariff Item 85177990. The imported SFP being parts merit classification under Tariff Item 8517 79 90 by virtue of Note 2(b) of Section XVI to the Customs Tariff Item. Accordingly, these goods are completely exempted from payment of basic custom duty in terms of the above notification. the imported goods are classifiable under Tariff Item 8517 62 90, then the imported SFP are eligible for a concessional rate of duty under Sl. No. 20 of Notification 57/2017-Cus., dated 30.06.17. The Noticees submit that the imported SFPs do not perform the function of 'transport' of voice, images or other data but merely perform functions (in the grand scheme of the network) within the card or module in which it is installed/fitted. The facilitation of "transmission" or "reception" of voice, images and other data done by transceivers when installed in the card or module would not be considered as 'transport'.

(xxii). The Noticees submit that the exclusions under Sr. No. 20 of Notification No. 57/2017-Cus., dated 30.06.17, as amended only applies to the import of complete chassis/shelf/equipment and not parts. It is settled law that SFPs are nothing but parts. Accordingly, without prejudice, the imported SFPs are eligible for concessional rate of duty. The SCN has vaguely alleged that the imported SFPs are Optical Transport Network (OTN) equipment / OTN Products. According to the SCN, SFP are optical transport network products as these facilitate efficient data transmission over optical fiber. The impugned goods are transmitter, receiver and opto-electrical convertors which are used in conjunction with the compatible network hardware switch port for fast and reliable data transmission through any

optical network. SFP can support OTN or are designed for OTN. This does not mean they are OTN products but only that they are capable of support ITUT- G.709. SFPs cannot implement G.709 i.e., OTN. The network operates at multiple protocols including IP, MPLS, and OTN. Therefore, the main equipment may be receiving signals which are of OTN protocol from other network equipment. However, this does not make the SFPs by themselves an OTN product. SFPs handle the physical layer, but it does not inherently include the full features of an OTN layer, like signal encapsulation, framing, multiplexing, or FEC (Forward Error Correction). The matter may be illustrated with an example of (a) SDH over DWDM or (b) OTN over DWDM or (c) SDH over OTN over DWDM or (d) IP over DWDM. Suppose a network implements SDH. Thereafter, SDH is taken through DWDM. Such an arrangement is called as SDH over DWDM. Nobody will suggest in such arrangement DWDM equipment will become SDH equipment. It is well known that SDH and DWDM are distinct equipment. Similar is the position vis-à-vis OTN over DWDM or IP over DWDM. OTN or IP equipment are distinct from DWDM equipment. DWDM equipment only supports various protocols including SDH or OTN or IP. However, they never implement such protocols and are therefore, never called as SDH or OTN or IP equipment, but only as DWDM equipment. Similarly, when OTN protocol is being supported by the SFP even then such SFP do not become an OTN equipment / product. In any case, SFP are not an Optical Network component therefore, they will not qualify as OTN equipment / product. Optical transport network components are Regenerators, OTN terminal equipment, Optical cross connect (OXC)s. Exclusion in Notification No. 57/17-Cus., dated 30.06.17 only applies to the import of complete chassis/shelf/equipment and does not exclude Cards/ Modules. Further the exclusion of OTN products will certainly not include SFPs which do not themselves directly transport voice, images or other data but merely perform functions (in the grand scheme of the network) within the communications equipment in which it is installed/fitted which does not involve any transport or transmission. it is pertinent to note that the very allegation that SFPs constitute Optical Transport Network (OTN) equipment stood specifically rejected by the Ld. Principal Commissioner of Customs, Air Cargo Complex, Andheri (E) in Order-in-Original dated 11.09.2025, passed in the Noticees' own case on identical facts and goods. The said finding has not been challenged by the department and has attained finality. The reiteration of the very same allegation in the present SCN is therefore unsustainable.

(xxiii). The Noticees contend that the present dispute pertains only to classification and eligibility to exemption, which is a matter of bona fide belief and legal interpretation. There is no allegation of mis-declaration, suppression of facts, or intent to evade duty. They submit that all imports were made by declaring complete and correct details in the Bills of Entry, supported by invoices, catalogues, and technical documents. Some consignments were also examined by Customs officers, and the goods were cleared after due assessment, indicating full knowledge of the Department.

(xxiv). It is argued that mere difference in classification or denial of exemption cannot amount to mis-declaration. Therefore, invocation of extended period under Section 28(4) is not justified, and

demand beyond the normal limitation period is time-barred. Consequently, since the demand itself is not sustainable, interest under Section 28AA is also not recoverable. The Noticees contend that confiscation under Sections 111(m) and 111(o) is not sustainable as there is no mis-declaration or violation of any condition. The description, value, and quantity of goods were correctly declared, and only classification is disputed. They submit that mis-declaration must be intentional, and a bona fide claim of exemption cannot lead to confiscation. The present case involves only a difference of opinion on classification, and hence provisions of confiscation are not attracted. It is further contended that Section 111(o) is applicable only where post-import conditions of exemption are violated, which is not the case here. Without prejudice, it is argued that once goods are cleared for home consumption, they cease to be "imported goods" and are not liable to confiscation. Accordingly, redemption fine cannot be imposed, especially when goods are not available and were not released on bond. Since confiscation itself is not sustainable, penalty under Section 112 cannot be imposed. Further, in the absence of suppression or wilful misstatement, penalty under Section 114A is also not applicable. The Noticees emphasize absence of mens rea and claim bona fide conduct throughout.

(xxv). The Noticees contend that IGST is levied under Section 5 of the IGST Act read with Section 3(7) of the Customs Tariff Act, and not under the Customs Act. They submit that Section 3(12) of the Customs Tariff Act, as applicable during the relevant period, did not borrow provisions relating to recovery under Section 28, interest under Section 28AA, or penalties under Sections 112/114A.

Therefore, in absence of specific machinery provisions, IGST cannot be recovered along with interest or penalty. They further argue that IGST is not "duty of customs" as defined under the Customs Act, and hence Section 28 cannot be invoked for its recovery.

**12.1** In order to comply the Principle of Natural Justice, opportunities for personal hearing before the undersigned were granted to the noticee on 18.03.2026 and 30.03.2026. In response to PH notice dated 30.03.2026, Mr. Nayan Singhal (Advocate) authorised representative appeared before me on 30.03.2026 on behalf of the Noticee M/s DC InfoTech and Communication Limited During the PH, he reiterated the submissions dated 30.03.2026 and also placed reliance on the compilation of case laws. Further, it was specifically highlighted that the Ld. Principal Commissioner of Customs, Air Cargo Complex, Andheri vide Order-in-Original CAO No. CC-MC/38/2025-26 Adj (I) ACC dated 11.09.25 in Noticees own case has held that "*The declared classification of Item No. 1-7 (SFP Transceiver) imported by M/s. DC InfoTech and Communication Limited vide Bill of Entry No.9308802 dated 19.12.2023 and vide Bills of Entry, as mentioned in Annexure-I to the subject SCN, under CTI 85177990 and benefit of Sr. No. 5 of Customs Notification No. 57/2017-Customs dated 30.06.2017, as amended is accepted*".

It was highlighted that goods in question in the present case are identical to goods as in the SCN adjudicated by Ld. Pr. Commissioner of Customs, Andheri vide OIO dated 11.09.25. accordingly, it was requested to drop the proceedings.

## **DISCUSSION AND FINDINGS**

13. I have carefully gone through the Show Cause Notice, the written submissions filed by the Noticee, the technical literature, test report, relevant statutory provisions of the Customs Tariff Act, 1975, the applicable Section Notes and Chapter Notes, the Harmonised System of Nomenclature (HSN) Explanatory Notes, the judicial precedents relied upon, as well as the earlier adjudication order passed in the Noticee's own case.

#### 14. Core Issue for Determination

14.1 The primary issue for determination in the present proceedings is whether the imported goods namely "SFP MODULE, 10GE SR + MODULE NON CARRIER INTERFACE CONVERTER FOR DATA NETWORKING" etc. are correctly classifiable under CTH 85176290 as "other communication apparatus", as alleged in the Show Cause Notice, or under CTH 85177990 as "parts of", as claimed by the Noticee. Consequent to the determination of correct classification, the further issue that arises is whether the Noticee has wrongly availed the benefit of exemption under Serial number 5 and 20 of Notification No. 57/2017-Cus. dated 30.06.2017, as amended, thereby resulting in short payment of duty. Thus, the entire foundation of the present Show Cause Notice rests upon two allegations, namely (a) misclassification of the impugned goods, and (b) wrongful availment of exemption benefit.

14.2 I find that classification under the Customs Tariff is governed by the General Rules for Interpretation (GRI). As per Rule 1 of the GRI, classification shall be determined according to the terms of the headings and any relevant Section Notes and Chapter Notes. Therefore, the starting point for classification is the language of the tariff headings read with statutory notes. Further, Section Note 2 to Section XVI of the Customs Tariff Act, 1975 provides specific rules for classification of parts of machines. As per Note 2(b), parts which are suitable for use solely or principally with a particular kind of machine are to be classified with that machine, unless such parts themselves constitute goods of a specific heading.

Thus, the determination of classification in the present case hinges upon whether the impugned goods possess an independent identity and function as an apparatus falling under Heading 8517.62, or whether they are merely parts suitable for use solely or principally with networking equipment and hence classifiable under Heading 8517.79.

From the records, including the product literature and the test report, it is observed that the impugned SFP modules perform the function of converting electrical signals into optical signals and vice versa. These modules are designed as small, pluggable devices which are inserted into network equipment such as switches or routers.

14.3 It is further observed that the SFP modules are hot-swappable, compact, and passive devices which do not have any independent source of power or intelligence. They require the host equipment for their operation and derive both power and control from such equipment. The test report specifically records that the device does not independently transmit data but functions merely as a bridge between network equipment and the communication medium.

From the above, it is evident that the impugned goods do not perform any independent or standalone function. They merely facilitate the functioning of the main network equipment and cannot operate on their own. Therefore, factually, the SFP modules cannot be considered as independent apparatus for transmission or reception of data.

**14.4** Applicability of HSN Explanatory Notes: - The Show Cause Notice places reliance on the HSN Explanatory Notes to Heading 8517 to contend that transmitters, receivers, and electro-optical converters are classifiable as apparatus under sub-heading 8517.62. However, on a careful reading of the said Explanatory Notes, I find that the inclusion of such items pertains to apparatus having an independent functional capability in a communication network.

Further, the HSN principles, particularly those relating to machinery having individual functions (as explained under Heading 84.79), lay down that a machine or apparatus must perform a distinct and identifiable function and must be capable of operating independently. Applying this “individual function test” to the impugned goods, I find that the SFP modules do not satisfy these criteria. They neither perform a function independently of the main equipment nor are capable of operating on a standalone basis. Their role is integrally connected with and inseparable from the functioning of the host equipment.

Accordingly, I hold that the impugned goods do not qualify as “apparatus” under CTH 8517.62.

**14.5** In terms of Section Note 2(b) to Section XVI, parts suitable for use solely or principally with a particular machine are to be classified as parts of that machine. In the present case, the SFP modules are specifically designed for use in networking equipment such as switches and routers. They are not general-purpose devices and are not capable of use independent of such equipment. It is also evident that these modules are OEM-specific and are not freely interchangeable across different systems. Their functionality is entirely dependent on the host equipment into which they are plugged. Therefore, the impugned goods clearly satisfy the criteria of being parts suitable for use solely or principally with networking equipment falling under Heading 8517. Accordingly, they merit classification under CTH 8517 79 90 as “parts”.

**14.6** I find that the issue regarding classification of SFP transceivers is no longer res integra and stands conclusively settled by a consistent and authoritative line of judicial pronouncements. It is held that SFP transceivers, being pluggable modules used in telecom/networking equipment, do not possess any independent functional capability, and are correctly classifiable as “parts” under Heading 8517.79 (erstwhile 8517.70).

(i) I find that the decision in the case of *Reliance Jio Infocomm Ltd.* has attained finality at the level of the Hon’ble Supreme Court. The CESTAT Mumbai in the case of *Reliance Jio Infocomm Ltd.* reported in the Hon’ble Supreme Court, while disposing of the Civil Appeals, has categorically recorded that the Department, upon instructions, accepted the classification of the impugned goods as determined by the lower appellate authority under CTH 85177990 upheld the classification of SFP as a part of networking telecom equipment under CTI 85177090. The Department has filed the Civil Appeal in the Hon’ble Supreme Court. In view of such unequivocal

acceptance, the Hon'ble Supreme Court dismissed the appeals filed by the Revenue.

(ii) The legal effect of the above is significant and cannot be ignored. Once the Revenue itself has accepted, before the Hon'ble Supreme Court, that SFP transceivers are classifiable as "parts", it is not open to the Department to take a contrary stand in subsequent proceedings involving identical goods and issues. Such an attempt would be contrary to settled principles of law and would amount to approbation and reprobation, which is impermissible in law. The Department cannot be allowed to accept a legal position in one case and simultaneously contest the same issue in another case on identical facts.

(iii). I also note that the ratio laid down in *Reliance Jio Infocomm Ltd.* has been consistently followed in subsequent decisions of the Hon'ble CESTAT in the cases of *IBM (2025) 37 CESTAT 129 (SC)*, *Ciena Communication*, *Vodafone Idea*, and *Huawei Telecommunications*, and these decisions have either been affirmed or left undisturbed by the Hon'ble Supreme Court, thereby reinforcing the settled legal position. Thus, there exists a uniform, consistent, and binding judicial view that SFP transceivers are not independent communication apparatus but are integral parts of telecom/networking equipment, classifiable under Heading 8517.79.

(iv). At this stage, it is also pertinent to refer to the law laid down by the Hon'ble Supreme Court in *Union of India vs. Kamlakshi Finance Corporation Ltd.*, wherein it has been emphatically held that the principles of judicial discipline require that orders of higher appellate authorities are binding on subordinate authorities and must be followed unreservedly.

Applying the above binding principle, I hold that:

- The classification settled by the Hon'ble CESTAT and affirmed by the Hon'ble Supreme Court is binding on this adjudicating authority;
- There is no legal justification to deviate from such settled position;
- The view taken in the Show Cause Notice is contrary to binding judicial precedents and hence unsustainable in law.

Accordingly, I hold that the classification of SFP transceivers under CTH 8517 79 90 as "parts" stands conclusively settled in law, and the proposal in the Show Cause Notice to classify the same under CTH 8517 62 90 as "apparatus" is unsustainable and liable to be rejected. The Hon'ble Delhi High Court, in the case of *Nokia Solutions and Networks India Pvt. Ltd.*, has set aside the ruling dated 26.09.2024 passed by the Customs Authority for Advance Rulings concerning the classification of SFP transceivers under CTH 85176290. The Hon'ble Court held that SFPs are correctly classifiable under CTH 85177090 and are also eligible for exemption under Notification No. 57/2017-Cus. dated 30.06.2017, as amended.

**14.7** I find that it is an undisputed fact that, in the Noticee's own case, Show Cause Notice No. 748/2024-25 dated 04.03.2025, covering Bills of Entry filed at Air Cargo Complex, Andheri (East), was adjudicated in favour of the Noticee by the Ld. Principal Commissioner of Customs, Air Cargo Complex, Andheri (East) vide Order-in-Original No. CAO No. CC-MC/38/2025-26 Adj. (I) ACC dated 11.09.2025. In the said order, identical goods involving the same issue of classification and eligibility to exemption under Serial Nos. 5 and 20 of Notification No. 57/2017-Cus. were examined in detail,

and it was categorically held that SFP transceivers are classifiable as "parts" under CTH 8517 79 and are eligible for the benefit of the said exemption.

**14.8** I further note that the Department has not preferred any appeal against the aforesaid Order-in-Original and, therefore, the same has attained finality. In terms of the well-settled principles of consistency, certainty, and judicial discipline in taxation matters, it is not open to the Department to adopt a contrary view on identical facts in the Noticee's own case. Accordingly, on this ground alone, the issue of classification and eligibility to exemption stands settled in favour of the Noticee

**14.9** Coming to the merits of the present Show Cause Notice, I find that the proposal to classify the impugned goods under CTH 8517 62 as "apparatus" is primarily based on the contention that the SFP modules perform signal conversion functions. However, mere performance of a function does not render a product an independent apparatus. For classification as an apparatus, the product must possess a complete and independent functional identity, and not merely perform a supportive or auxiliary role.

**14.10** In the present case, the SFP modules function only as components within a larger networking system and do not have any independent existence or standalone functionality as communication apparatus. Their role is limited to facilitating signal transmission when installed in host devices such as routers or switches. Therefore, the reasoning adopted in the Show Cause Notice for classifying the impugned goods under CTH 8517 62 is not sustainable.

**14.11** Having held that the impugned goods are classifiable under CTH 8517 79 90 as parts, I now examine their eligibility to exemption. As per Sr. No. 5 of Notification No. 57/2017-Cus., parts of telecom/networking equipment are eligible for exemption from Basic Customs Duty. Since the impugned goods are parts, they are rightly eligible for the said exemption. The Show Cause Notice has sought to deny the benefit on the ground that the goods are Optical Transport Network (OTN) products. However, I find that the SFP modules do not perform functions such as multiplexing, framing, or network-level transport. They operate only at the physical layer and merely facilitate signal conversion. Therefore, the impugned goods cannot be considered as OTN equipment or products. The exclusion relied upon in the Show Cause Notice is thus not applicable.

Further, even on a without prejudice basis, if the goods were to be classified under CTH 8517.62, the benefit of concessional duty under Sr. No. 20 of the Notification would still be available, as the goods do not fall within the excluded category.

**14.12** In view of the technical characteristics of the goods, the applicable HSN Explanatory Notes, the statutory provisions under Section Note 2 to Section XVI, the binding judicial precedents, and the earlier adjudication order in the Noticee's own case, I hold that the impugned goods are not independent apparatus but are parts of networking equipment. Accordingly, they are correctly classifiable under CTH 85177990, and the allegation of misclassification made in the Show Cause Notice is not sustainable.

**14.13** Consequent to the above classification, the impugned goods are eligible for exemption under Sr. No. 5 of Notification No. 57/2017-Cus. The denial of exemption proposed in the Show Cause Notice is therefore unsustainable. In light of the foregoing discussion, I find that both the foundational allegations of the Show Cause Notice, namely misclassification and wrongful availment of exemption, fail on merits.

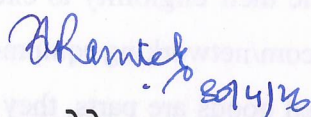
**14.15** I hold that the impugned goods namely "SFP MODULE, 10GE SR + MODULE NON-CARRIER INTERFACE CONVERTER FOR DATA NETWORKING" are correctly classifiable under CTH 8517 79 90 as parts and are eligible for exemption under serial number 5 and 20 of Notification No. 57/2017-Cus. Accordingly, the demand of differential duty on the grounds of misclassification and denial of exemption is not sustainable in law and is liable to be set aside.

**15. In view of the facts of the case, the documentary evidences on record and findings as detailed above, I pass the following order:**

### ORDER

The proceedings initiated under Show Cause Notice No. 223/2025-26/COMMR./Gr. VA/CAC/JNCH dated 06.06.2025, issued to M/s DC Infotech and Communication Limited (IEC: AAHCD0449A), are hereby dropped.

**16.** This order is issued without prejudice to any other action that may be taken in respect of the goods in question and/or the persons/ firms concerned, covered or not covered by this show cause notice, under the provisions of Customs Act, 1962, and/or any other law for the time being in force in the Republic of India.

  
(अनिल रामटेके / ANIL RAMTEKE)

सीमा शुल्क आयुक्त / Commissioner of Customs,  
एनएस-V, जेएनसीएच / NS-V, JNCH

To:

M/s DC INFOTECH AND COMMUNICATION LIMITED  
Unit No2 Aristocrate, Ground Floor, Lajya Compound, Mogra Road,  
ANDHERI EAST, MUMBAI, MAHARASHTRA- 400069

Copy to:

1. The Additional Commissioner of Customs, Group-5A, JNCH
2. The Dy./Asstt. Commissioner of Customs, CCO, JNCH
3. The Dy./Asstt. Commissioner of Customs, Centralized Revenue Recovery Cell, JNCH
4. Superintendent (P), CHS Section, JNCH – For display on JNCH Notice Board
5. EDI Section.
6. Office copy.