Adj.
S/10-1031/2025-26/DC/Gr B(C-F) NS-I/CAC/JNCH

	OFFICE OF THE COMMISSIONER OF CUSTOMS **NHAVA-SHEVA-I, JAWAHARLAL NEHRU CUSTOM HOUSE,** **NHAVA SHEVA, TALUKA: URAN, DIST.: RAIGAD, MAHARASHTRA-400 707.**

F.No. CUS/SUB/IR/15/2020-SVB-O/o PR. COMMR-CUS-PREV-CHENNAI

F. No.CUS/APR/SCN/1637/2025-Gr 2(C-F) Date:31-10-2025

SCN No. 1238/2025-26/DC/Gr B(C-F) NS-I/CAC/JNCH

DIN No.

Show Cause Notice on the basis of Investigation Report issued by SVB (GVC) in view of Circular No.05/2016-Customs dated 09.02.2016

BRIEF FACTS OF THE CASE

M/s Procter & Gamble Home Products Ltd., (IEC- 393058875), having registered address at P & G PLAZA CARDINAL GRACIASROAD CHAKALA ANDHERI EAST MUMBAI - 400099 (hereinafter referred to as the "Indian Company" or "Importer") has imported goods from their related foreign supplier **M/s Procter & Gamble Manufacturing (Thailand) Ltd. & its group companies in Vietnam, France, USA, Taiwan, Germany and Saudi Arabia** (hereinafter referred to as the "Foreign Companies" or "Suppliers"), all related suppliers are enlisted in Table-FS below. The Indian Company Procter & Gamble Home Products Private Limited was incorporated on 19 January 1989 and this is a 100% subsidiary of the US Company. The company's CIN no. is U24240MH1989PTC050398.

TABLE-FS

Sr. No.	Name of related Supplier	
1.	Procter & Gamble Manufacturing (Thailand) Ltd, THAILAND	Registered with CHENNAI in 1999
2.	The Procter & Gamble Company, USA	Imports since 2003
3.	Procter & Gamble Vietnam Ltd, VIETNAM	
4.	Procter & Gamble Distributing LLC, USA	
5.	Procter & Gamble (Guangzhou) Ltd, Guangzhou, CHINA	
6.	Procter & Gamble Manufacturing GMBH, GERMANY	
7.	Procter & Gamble Asia Pte Ltd, SINGAPORE	
8.	Procter & Gamble Asia Pte Ltd (MROH), PHILIPPINES	
9.	PT Procter & Gamble Operations, INDONESIA	

10.	Procter & Gamble Kabushiki Kaisha, JAPAN	
11.	Procter & Gamble Philippines INC, PHILIPPINES	
12.	Procter & Gamble Malaysia Sdn Bhd, MALAYSIA	
13.	Fameccanica Machinery (Shanghai) Co., CHINA	Registered with SVB, Mumbai as 3 cases in 2013 & 2001 and all were transferred to SVB, Chennai in Dec.2016
14.	Procter & Gamble International Operations SAAL, SWITZERLAND	
15.	Procter & Gamble International Operations Pte Ltd., SINGAPORE	
16.	Modem Products Company, Jeddah, SAUDI ARABIA	Imports since 2003
17.	Procter & Gamble SRI LANKA Pvt. Ltd.	
18.	The Gillette Company, USA	
19.	P&G Home Products INDONESIA	
20.	Procter & Gamble Godo Kaisha, JAPAN	
21.	Procter & Gamble Industrial Peru S R L, PERU	
22.	Procter & Gamble Manufacturing Company, USA	
23.	Procter & Gamble Technology (Beijing) Co Ltd, CHINA	
24.	Procter & Gamble Nigeria Ltd, NIGERIA	
25.	Procter & Gamble (Jiangsu) Ltd, CHINA	Request for addition of new suppliers Imports during 2019
26.	Procter & Gamble, EGYPT	
27.	Procter & Gamble Manufacturing SA, SOUTH AFRICA	

M/s Procter & Gamble Home Products Ltd. produces personal care products. The Company manufactures and distributes perfumes, cosmetics, fabric care, hair care, and toiletries by various Brand names as products of "Procter & Gamble". The company is registered as Manufacturer Exporter.

The case was referred to SVB by Gr-2 of Chennai-Sea Commissionerate vide F.No. S59/106/99 Gr-2 and it was registered in SVB vide F.No. S50/38/1999.

After registration with SVB in 1999, the DC, SVB, Chennai issued an O-in-O No.1099/2000 on 30-11-2000, wherein the declared value was ordered to be enhanced by 30% as determined by applying Rule 8 of CVR, 1988 as applicable at the relevant time; aggrieved by this order, the importer preferred an appeal before Commissioner, Appeals, who has set aside the said O-in-O and remanded back to original adjudicating authority for a fresh consideration vide Order-in-Appeal No.C.Cus-62/01 on 02-02-2001; aggrieved by this O-in-A, the importer preferred an appeal before the Hon'ble CEGAT, Chennai; vide final order No.233/2002 dated 05-03-2002, the Hon'ble CEGAT, Chennai, remanded the case to the Original authority with clear direction to (a) Accept the appellants prayer and proceed to assess the Goods by adopting the transaction value in terms of Rule 4(3) of CVR, 1988 (or) (b) if the appellant so choose in terms of computed value which has been adopted only in terms of Rule 7 (A) of the CVR, 1988 original authority shall proceed by applying the ratio of Judgement in the Case of CC vs Hewlett Packard. The order was accepted by the department.

Thereafter, following the directions of Hon'ble CESTAT, Chennai, a denovo order vide No.49618/2016 was Issued on 31-08-2016, accepting the declared value as transaction value with no loading under Rule 9 of CVR, 1988 as there was no flow-back for any fees on the account of royalty, technical know-how or trademark. This order was covering the transactions for the period 4 years from 30-11-1999 to 29-01-2003, and the said investigation becomes due for renewal on 30-11-2003. The case became due for renewal on 30-11-2003 and was pending for renewal. The importer has submitted relevant documents for renewal at the time of expiry of the abovementioned denovo order. After the change in SVB procedures vide Cirs.04 & 05/2016 dt.09-02-2016 the importer submitted Annexure-1 & 2 as prescribed by the CBIC Cir.04/2016 dt.09-02-2016 for the renewal of their SVB order following documents to this office for issuance of Investigation Report:

a. Annexure-1 & 2 as per CBEC Circular No.04/2016.
b. Annual Reports.
c. Form 3 CEB.
d. License Agreement dated 01-04-2010 signed with THE PROCTER & GAMBLE COMPANY, USA

The importer has submitted that their Company is related to the foreign supplier under Rule 2(2) of CVR, 2007 as Indian company is a 100% subsidiary of THE PROCTER & GAMBLE COMPANY, USA and to whom the supplier is also a subsidiary.

DISCUSSIONS AND FINDINGS

On perusal of the documents submitted, it is found that:

RELATIONSHIP:

As per the submissions made by the importer, it is evident that the Indian Company M/s Procter & Gamble Home Products Ltd., Mumbai is 100 % subsidiary of Procter & Gamble Company, USA and is associate company to the foreign suppliers listed M/s Procter & Gamble Manufacturing (Thailand) Ltd & its group companies in Vietnam, France, USA, Taiwan, Germany and Saudi Arabia. Therefore, the importer and the foreign suppliers are related in terms of Rule 2(2)(v) of Customs Valuation Rules, 2007.

TRANSACTION VALUE:

a. The Indian Company in their Anneaure-1 has stated that there is no change in the pricing pattern of imported goods as the inter-company billing policy (ICBP) which governs imports from related entities has remained the same throughout the above period; however, they have stated that they started importing from new suppliers as listed at Sr.no.25-27 in Table-FS above.

b. In their letter dt.27-05-2016, the importer has stated that a show cause notice was issued by JNCH on 09-10-2011 vide F.No.S. Misc:1176/2011-12-Gr-2 (S-4/Misc-143/2011, CIU, JNCH) alleging under valuation in the import of 'Ambi-Pur'. Importer has stated that the Ambi-Pur was purchased by Procter & Gamble from Sara Lee only in 2010. In addition, it was also found from JCDR, Chennai's official website that import of Ambi-pur was adjudicated vide O-in-0, 72385-72442/2019 dt.18-11-2019 by Commissioner, Imports, Chennai for alleged evasion of duty by mis-declaring of MRP of the product Ambi-pur, against which the importer has filed appeal in Hon'ble CESTAT, Chennai.

c. The quantum of customs duty based on MRP will change if the allegations are proved in appellate stage; however, the declared value for customs still can be accepted as transaction value. However, since the matter in case of the specific product "Ambi-pur" is under dispute, the value of this may be decided by the groups after Hon'ble CESTAT, Chennai issues the order in this case.

d. Values declared of all other products, except that of Ambi-pur, imported by the importer may be accepted as transaction value as per their declaration in Annexure-1.

e. In view of the above, the **declared price (except that of Ambi-pur) is acceptable as transaction price under Rule 3(3)(a) of CVR, 2007.**

ADDITION UNDER RULE 10(1) (c to e) of CVR, 2007:

a. The importer has declared that they have entered into a License Agreement with THE PROCTER & GAMBLE COMPANY, USA, which is the principal or holding company of the importer company as well as the foreign supplier companies listed in Table-FS above.

b. As per the clause 12 of the said agreement the "***Licensee shall pay as royalties to Licensor an amount equal to the percentage of Net Sales of Products by Licensee (or by any authorized affiliated distributor of Licensee) in the Territory, as specified in Attachment I of this Agreement.***"

c. Attachment-I prescribes the rate of royalty @4.5% and is reproduced as below:

ATTACHMENT-I

ROYALTIES

Forming part of the Agreement Licensee shall pay to the Licensor Royalties equal to 4.5% of Net Sales of the below licensed products manufactured in India and in respect of which technical knowhow has been provided by the parent entity:

1. Ariel detergents
2. Tide detergents

3. Pantene shampoo
4. Head & Shoulders shampoo
5. Rejoice shampoo
6. Olay creams and lotion
7. Pampers baby diapers

Sr. No.	Trademark	Class	Application/ Registration No.	Application Date	Status
1.	TIDE	3	139713	20-Jul-1949	Registered
2.	ARIEL	3	260804	25-Nov-1969	Registered
3.	PANTENE	3	945856	8-Aug-2000	Registered
4.	HEAD & SHOULDERS	3	231938	26-Oct-1965	Registered
5.	REJOICE	3	508072	3-Apr-1989	Registered
6.	OLAY	3	895212	30-Dec-1999	Registered
7.	PAMPERS	16	321025	10-Dec-1976	Registered

The said rate of royalty was enhanced to 5% of net sales with effect from 01/07/2017 with the addition of another product, viz, Ambipur. As per clause 1.3 of the said agreement the net sales is defined as:

1.3 **Net Sales:** *Net Sales are the gross sales of each licensed Product less sales returns. discounts and allowances (including, but not limited to, coupon redemption and consumer rebates), and Value Added Taxes, sales taxes or other taxes measured by the amount of sales or gross receipts from sales Net Sales are unless otherwise agreed by the Parties, to be determined under the Indian Accounting Standards Net Sales includes the Net Sales of each licensed Product by affiliated distributors engaged by Licensee, as well as by any sublicensee of Licensee as reported to Licensee For purposes of this Agreement, Net Sales includes only sales to unrelated parties, and, thus, excludes sales to The Procter & Gamble Company or its Affiliates*

Hence it is observed that while calculating the royalty cost of imported goods (raw material and finished products) is not deducted from the gross sales to arrive at net sales. Therefore, there exists a nexus of royalty with imported goods.

Further, under clause 6 of the said agreement, the importer is under obligation to subject itself for inspection by the holding company for processing of manufacturing or products. It also puts an obligation on the importer to seek approval from the holding company for using any affiliated or non-affiliated manufacturer for its products. Also, the importer shall confirm the specifications of raw material according to the supplier. Hence, there exist conditions which are imposed on the importer by its holding company.

Here, the matter of addition of royalty has already been decided by the **Apex Court in case of M/s. Matsushita Television & ... vs Commissioner Of Customs on 12 April, 2007** where in it was stated that **not only the royalty shall have a nexus with imported components/goods but also there shall be a condition of sale**, to consider the addition of royalty to the cost of import goods post import. Relevant portion the judgment is reproduced below for reference:

Supreme Court of India
M/S. Matsushita Television & .. vs Commissioner Of Customs on 12 April, 2007
Author: Kapadia
Bench: S.H. Kapadia, B. Sudershan Reddy

CASE NO.:
Appeal (civil) 526 of 2002

PETITIONER
M/s. Matsushita Television & Audio (I) Ltd

RESPONDENT:
Commissioner of Customs

DATE OF JUDGMENT: 12/04/2007

BENCH:
S.H. KAPADIA & B. SUDERSHAN REDDY

of the licence to be granted by MEI to the appellants it was agreed that the appellants shall pay to MEI the royalty at the rate of 3% on the net ex-factory sale price of the colour T.V. manufactured and sold. Further, it was agreed that in addition to the technical assistance, MEI would assist the appellants in the manufacturing of the colour T.V. by selling the components to the appellants. Under the Agreement, the parties further agreed that if the appellant desired to make use of bought-out components it can do so provided the said components are forwarded to MEI for inspection and if MEI approves the quality and the specifications of such bought-out components then alone the appellant would be free to use such components in the manufacture of colour T.V.

M/S. Matsushita Television & .. vs Commissioner Of Customs on 12 April, 2007

The question which arises for consideration in this civil appeal is, whether royalty payment was connected with the imported components. Under Rule 9(1)(c) of the Valuation Rules, 1988, only such royalty which is relatable to the imported goods and which is a condition of sale of such goods alone could be added to the declared price. However, in the present case, payment of continuing royalty was payable at the rate of 3% of the net ex-factory sale price of the colour T.V. exclusive of taxes, freight and insurance but including the cost of imported components. In other words, the royalty payment was to be computed not only on the domestic element of the net sale price of the colour T.V. but also on the cost of imported components. A bare reading of the agreement shows that payment under the said agreement related not only to the production of the goods in India but also to imports. In some of the decisions cited on behalf of the assessee, we find that the net ex-factory sale price of the finished products expressly excluded the cost of imported components. On the other hand, in the present case, the cost of imported components was expressly included in the net ex-factory sale price of the colour T.V. Further, when payment to MEI was at the rate of 3% of the sales turn over of the final product, including cost of imported component, it became a condition of sale of the finished goods. Hence, in this case both the conditions of Rule 9(1)(c) of the Valuation Rules, 1988, are satisfied.

For the above reasons, we find no merit in this civil appeal and the same accordingly stands dismissed with no order as to costs

As per the Rule 10(1)(c, d & e) of CVR, 2007:

(c) royalties and licence fees related to the imported goods that the buyer is required to pay, directly or indirectly, as a condition of the sale of the goods being valued, to the extent that such royalties and fees are not included in the price actually paid or payable;

(d) The value of any part of the proceeds of any subsequent resale, disposal or use of the imported goods that accrues, directly or indirectly, to the seller;

(e) all other payments actually made or to be made as a condition of sale of the imported goods, by the buyer to the seller, or by the buyer to a third party to satisfy an obligation of the seller to the extent that such payments are not included in the price actually paid or payable.

Hence, in the instant case **i)** the cost of imported goods is not deducted from the gross sales to arrive at net sales value and **ii)** there exists conditions imposed by the holding company to be complied with by the importer, the royalty is paid to the holding company which is an indirect payment on behalf of the supplier of goods. In these circumstances the royalty paid becomes addable to the cost of imported goods by the same %age for the relevant imports or financial years at which the royalty is being paid. Hence, it is observed that the royalty is addable under Rule (10)(1) (c to e) of CVR, 2007.

CONCLUSION

From the above analysis of information provided by the importer to this branch for issuance of Investigation Report, the following facts emerge:

a. **Relationship between the Importer and the foreign supplier:**
The Importer M/s Procter & Gamble Home Products Ltd., Mumbai and the foreign suppliers enlisted in the Table-FS above are related in terms of Rule 2(2)(v) of Customs Valuation Rules, 2007.

b. **Acceptance or Rejection of transactional value of imported goods:** The declared value of the imported goods (except that of Ambi-pur) may be accepted as transaction value under Rule 3(3)(a) of CVR, 2007.

c. **Payments other than invoice values of imported goods:**
As there exists a nexus of royalty with the imported goods with conditions the royalty paid is to be added under Rule (10)(1) (c to e) of CVR, 2007.

15. Now, on the basis of the investigations carried out by SVB,NCH, Mumbai and findings & conclusion as detailed in the foregoing paras and in view of Circular No.05/2016-Customs dated 09.02.2016, **M/s Procter**

& Gamble Home Products Ltd.,(IEC- 393058875), having registered address at P & G PLAZA CARDINAL GRACIASROAD CHAKALA ANDHERI EAST MUMBAI - 400099, is hereby called upon to Show Cause to the Assistant Commissioner of Customs, Appraising Group-II(C-F), NS-I, Jawaharlal Nehru Customs House, Raigad, Maharashtra, within 30 days from the receipt of this Show Cause Notice as to why:

i. The declared value of the goods imported vide 1241 BEs as mentioned in Annexure-1 should not be finally assessed by loading @ 4.5 to 5% towards the royalty paid by the importer in terms of Rule (10)(1) (c to e) of CVR, 2007.

ii. The resultant differential duty should not be demanded and recovered under Section 18(2) of the Customs Act, 1962.

iii. Interest should not be recovered on differential duty so determined after loading of value as above, under Section 18(3) of the Customs Act, 1962

16. The Noticee is required to file a reply within thirty days from the receipt of this Notice. They are also directed to produce, at the time of showing cause, all the evidences upon which they intend to rely in support of their defence.

17. They should clearly state in their written reply to this Notice as to whether they desire to be heard in person before the case is adjudicated. If no reply to this Notice is received within thirty (30) days from the date of receipt of this Notice or if they do not appear before the Adjudicating Authority for Personal Hearing while the case is posted for hearing, the case will be decided on the basis of available records without any further reference to them.

18. This Show Cause Notice is issued without prejudice to any other action that may be taken against aforesaid Noticee or any other person/party connected with the case under the Customs Act, 1962 or any other law for the time being in force.

19. The Department reserves its right to amend, modify or supplement this notice at any time prior to the adjudication of the case.

Digitally signed by
Dinesh Kumar
Date: 31-10-2025
18:20:55

(**Dinesh Kumar**)
Assistant Commissioner of Customs
Gr.II (C-F), NS-I, JNCH, Nhava-Sheva

Enclosure- Annexure-I

To,

M/s Procter & Gamble Home Products Ltd., (IEC-393058875),
P & G PLAZA CARDINAL GRACIASROAD CHAKALA
ANDHERI EAST MUMBAI – 400099

Copy to:

i. The Additional Commissioner of Customs, SVB (GVC), NCH Mumbai,
ii. The Deputy Commissioner of Customs, SVC, JNCH, Nhava Sheva
iii. The Deputy Commissioner of Customs, CAC, JNCH, Nhava Sheva
iv. Notice Board, JNCH, Nhava Sheva
v. The Deputy Commissioner of Customs, EDI, JNCH, Nhava Sheva
vi. Guard file