CUSTOMS, EXCISE & SERVICE TAX APPELLATE TRIBUNAL
BANGALORE

REGIONAL BENCH - COURT NO. 2

Customs Appeal No. 20628 of 2021

(Arising out of Order-in-Appeal No.COC-CUSTM-000-APP-157-158/2020-21 dated 04.02.2021 passed by the Commissioner of Customs (Appeals), Cochin)

M/s. Vodafone Idea Limited,
2nd Floor, Mercy Estate Ravipuram,
M.G. Road, Cochin,
Kerala-682 015. ....**Appellant(s)**

VERSUS

Commissioner of Customs,
Custom House, Willingdon Island,
Cochin, Kerala-682 009. ....**Respondent(s)**

APPEARANCE:

Mr. Ashutosh Sharma & Mr. Rachit Jain, Advocates for the Appellant.
Mr. M. Sreekanth, Asst. Commissioner (AR) for the Respondent.

CORAM:

Hon'ble Mr. P.A. Augustian, Member (Judicial)
Hon'ble Mr. Pullela Nageswara Rao, Member (Technical)

<u>Final Order No. 22279 /2025</u>

Date of Hearing: 02.12.2025
Date of Decision: 02.12.2025

Per: Pullela Nageswara Rao

This appeal is filed against Order-in-Appeal No.COC-CUSTM-000-APP-157-158/2020-21 dated 04.02.2021 passed by the Commissioner of Customs (Appeals), Cochin.

2. The issue in the present appeal is regarding classification of the goods imported by the Appellant.

3. The brief facts are Appellant is providing telecommunication services to their customers and were importing various

telecommunication equipment including 'routers' required for their National Long Distance (NLD) back bone network. As part of their routine import, Appellant had imported impugned goods from China, filed Bill of Entry No. 3422153 dated 28.09.2017 for the clearance of the goods declared as, 1) '10G/100G 'Small Form factor Pluggable (SFP) (Sl. No. 8, 9, 20) for use in ZTE router', 2) PFU (Packet Forwarding Unit) claiming classification under Customs Tariff Item entry (CTI) 8517 7090 considering them as part of 'router' which attracts 'Nil' rate of duty by availing the benefit of Sl.No.13N of Notification No. 24/2005-Cus dated 01.03.2005. The goods were cleared by the Customs as per the declaration of the Appellant-importer. Thereafter show cause notice was issued on 20.12.2018 with respect to the classification of the goods alleging that, 'Small Form factor Pluggable (SFP)' is a networking hardware module having specific function and not a part of 'router' and is classifiable under Customs Tariff Item (CTI) 8517 6290. The Adjudication authority vide order dated 12.06.2019 classified the 'Small Form factor Pluggable (SFP)' hardware module under Customs Tariff Item (CTI) 8517 6290, confirmed the differential duty demand along with interest. As regards classification and benefit of notification of 'Packet Forwarding Unit (PFU)', a line card of 'router' adjudicating authority held that PFU is not covered by Notification No. 50/2017-Cus and that the rate of duty for Customs Tariff Item (CTI) 8517 7090 has been changed to 10% under Notification No. 56/2017-Cus dated 30.06.2017. Aggrieved by the said order, an appeal was filed before the Commissioner (Appeals) and Commissioner (Appeals) as per the impugned order dated 22.01.2021 granted exemption from payment of basic customs duty to Packet Forwarding Unit (PFU), classified under Customs Tariff Item (CTI) 8517 7090 with the benefit of Notification No. 50/2017-Cus dated 30.06.2017, however he upheld the classification of 'Small Form factor Pluggable (SFP)' hardware under Customs Tariff Item (CTI) 8517 62 90. Aggrieved by the impugned order, present appeal is filed before the Tribunal.

4. Learned Counsel for the Appellant during hearing draws our attention to the Chapter Heading 8517 and the relevant entry. Learned

Counsel further submits that as per Note 2 to Chapter 85, which reads as under;

> *2. Subject to Note 1 to this Section, Note 1 to Chapter 84 and Note 1 to Chapter 85, parts of machines (not being parts of the articles of heading 84.84, 85.44, 85.4 85.45, 85.46 or 85.47) 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 84.09, 84.31, 84.48, 84.66, 84.73, 84.87, 85.03, 85.22, 85.29, 85.2 85.38 and 85.48) 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 84.79 or 85.43) are to be classified with the machines of that kind or in heading 84.09, 84.31, 84.48, 84.66, 84.73, 85.03, 85.22, 85.29 or 85.38 as appropriate. However, parts which are equally suitable for use principally with the goods of headings 85.17 and 85.17 and 85.25 to 85.28 to 85.28 are to be classified in heading 85.17.*
>
> *(c) All other parts are to be classified in heading 84.09, 84.31, 84.48, 85.29 or 85.38 as appropriate or, failing that, in heading 84.87 or 85.48.*

5. Learned Counsel further submits that the issue is no more *res integra* and the classification is settled as per the **Final Order No. 50874/2022 dated 06.07.2022/20.09.2022** of the Principal Bench of the Tribunal in the matter of **M/s. Vodafone Idea Limited Vs. Principal Commissioner of Customs (Import), New Delhi** wherein it is held that;

> *"22. It, therefore, transpires that the true test for determining whether an item is classifiable as parts /components 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.

23. If the answer to both the aforesaid questions is in the negative, the item would be classifiable as parts and in that case the item will not be classifiable as an apparatus falling under its own appropriate heading.

24. A perusal of the catalogue of Router Line Cards shows that these cards /modules are only parts of the existing Routers which have already been imported or installed by the appellants. The Router chassis has dedicated slots marked for these line cards, switch cards and router processor cards. The line cards are simply inserted in these slots in the existing Routers. These line cards become functional only when plugged into the said slots in the Router chassis. The line cards source intelligence from control and processor module of the Router. These line cards cannot perform its function on a stand-alone basis in the imported condition. Further, communication between the line cards and the other components of the Router, most importantly, the switch processor board, is in the electrical domain and in completely proprietary data protocols. These facts are decisive to conclude that the line card/ modules in question are parts, as they cannot perform independently of the Router because unless and until the said cards/ modules are slotted into the dedicated slots into the chassis of the equipment, the said cards /modules cannot function. The cards /modules are dependent on the intelligence (i.e. timing information) provided by the control and timing modules. The timing information provided by the control and timing modules is essential for the proper functioning of these cards. Without connection to the overlying software of the equipment and the control /timing information being provided to them, the said line cards are incapable of operation. The line cards are proprietary of the Original Equipment Manufacturer.

These line cards are, therefore, not cross compatible with devices of other manufacturers but are only usable for the purpose for which they are designed for e.g., a line card manufactured by Cisco would be usable only in a Cisco Router and nowhere else. In other words, these cards/ modules possess no functionality other than when used in the dedicated slot designed for them in the primary equipment chassis. Each primary equipment will possess dedicated and proprietary slots into which alone the said cards/ modules must be inserted. Thus, there is no individual and separable function performed by line cards."

6. The Learned Counsel also draws our attention to the decision of the Tribunal in the matter of **M/s. Vodafone India Ltd Vs. CC, New Delhi (2025-1-TMI-556-CESTAT (New Delhi)** where the issue was considered and held that;

"15. The technical details of the subject goods in dispute have been described in the following manner:

(a) Switching cards (pure matrix/ hybrid matrix): *These cards are high capacity switching boards and support TDM switching as well as Packet level switching and direct data card connectivity. The basic function of these cards is to implement grooming of service line /network boards and client /tributary boards. It implements non-congestion full cross connection, multicast and broadcast services. It enables the communication between the cross connect boards and other boards. This card performs the function of switching and there is no conversion of any voice, images, or other data or information being carried on the signal. Inputs signals to these cards are by other line-side cards/ client-side cards including SDH, Ethernet and Internet Protocol, through proprietary backplane interface.*

(b) Transceivers (SFP): *A transceiver enables interface with the optical fibre connectivity. Since the various board /card (another integral part of the main-equipment) perform processing in the electrical domain (and not the optical domain), the main-*

equipment would not be able to function without a transceiver to connect to the optical fibre network. Transceivers come in various forms such as Small Form Factor Pluggable (SFPs) or the C-Form Factor Pluggable (CFP), besides others. Transceivers are passive devices which work in conjunction with the other components deployed within the PTN equipment chassis.

***16.** It is now necessary to examine the decisions on which reliance has been placed by learned counsel for the appellant.*

***17.** In Reliance Jio Infocomm (I), the Tribunal held that Small Form Factor Pluggable (SFP) are classifiable as parts under CTI 8517 70 90. This decision of the Tribunal was upheld by the Supreme Court in the judgment rendered on 27.02.2023 in Civil Appeal No's 1475-1477 of 2023. It needs to be noted that Supreme Court in the aforesaid decision noted that the department had accepted that classification of said product determined by the Tribunal.*

***18.** In Ciena Communications India, the Tribunal held that the goods Hybrid/ Matrix Cards and Small Form Factor Pluggable for OTN equipment are correctly classifiable under 8517 70. The Tribunal also noted that the goods do not perform their function independently, without being fitted in the chassis of the main equipment. It also needs to be noted that while making reference to Section Note 2(b) to Section XVI, the Tribunal held that the goods are classifiable a 'parts'. The Tribunal also relied upon the earlier decision of the Tribunal in Commissioner of Customs, Mumbai (AIR Cargo Import) vs. Reliance Jio Infocomm Ltd. decided on 22.06.2022, which decision was upheld by the Supreme Court in the judgment rendered on 30.01.2023 in Civil Appeal No's. 586-598 of 2023. It also needs to be noted that the Tribunal held, in view of the decision of the Supreme Court rendered on 30.01.2023, that goods of similar nature (Amplifier Cards, Transponder Cards, Muxponder Cards and Optical Add-Drop Multiplexer Cards used in Dense Wavelength Division Multiplexing (DWDM) machines) would be classifiable as parts of*

DWDM equipment under CTI 8517 70 10. The Division Bench observed that the said cards cannot function without being incorporated in DWDM equipment and accordingly, such cards cannot be considered as independent apparatus."

7. Learned Counsel also relied on the following decisions:-

i. **Vodafone Idea Limited (Previously Idea Cellular Limited) Vs. Principal Commissioner of Customs, New Delhi, 2025 (1) TMI 556-CESTAT New Delhi affirmed in, 2024 (12) TMI 1526-SC Order**

ii. **Nokia Solutions and Networks India Private Limited Vs. Customs Authority For Advance Rulings, New Delhi & Ors., 2025 (2) TMI 1023 – Delhi High Court affirmed in 2025 (11) TMI 24-SC Order**

iii. **IBM India Private Limited Vs. Commissioner of Customs (Import), Mumbai, 2024 (4) TMI 972-CESTAT Mumbai**

iv. **Commissioner of Customs – Mumbai (Air Cargo Import) Vs. Reliance Jio Infocomm Ltd., 2022 (8) TMI 76-CESTAT Mumbai affirmed in 2023 (2) TMI 1295-SC Order**

v. **M/s. Ciena Communications India Pvt. Ltd. Vs. Principal Commissioner of Customs (Import), Mumbai, 2024 (1) TMI 683-CESTAT Mumbai affirmed in 2025 (1) TMI 492 – SC Order**

vi. **Commissioner of Customs-Mumbai (Air Cargo Import) and Commissioner of Customs Mumbai (ACC) Vs. Reliance Jio Infocomm Ltd., 2022 (6) TMI 1051 – CESTAT Mumbai affirmed in 2023 (1) TMI 1297-SC Order**

vii. **M/s. Vodafone Idea Limited Vs. Pr. CC (Imports), ICD, TKD, New Delhi Final Order No. A/50874/2022 dated 20.09.2022 of Hon'ble CESTAT, New Delhi**

viii. **Mauri Yeast India Pvt. Limited Vs. State of UP, 2008 (225) E.L.T. 321 (S.C.)**

8. Learned Authorized Representative (AR) for the Revenue reiterated the finding in the impugned order and submits that the Adjudication authority has correctly classified the goods, since there is no admissible evidence to substantiate the contention that it is exclusively used as part of the equipment.

9. Heard both sides and perused the records.

10. We find that the issue is no more *res-integra* and following the ratio of the decisions of the Tribunal in the matter of **M/s. Vodafone India Pvt Ltd (Supra) and Reliance Jio Infocomm Ltd., (Supra),** the impugned goods '10G/100G 'Small Form factor Pluggable (SFP)' are classifiable under Customs Tariff Item (CTI) 8517 7090 and not under Customs Tariff Item (CTI) 8517 6290 as confirmed by the Revenue. Therefore the impugned order reclassifying the goods and the demand of differential duty along with interest is not sustainable and liable to be set aside.

11. Accordingly, the impugned order is set aside, and the appeal is allowed with consequential relief, if any, in accordance with law.

(Operative portion of the order was pronounced in Open Court on conclusion of hearing.)

(P. A. AUGUSTIAN)
MEMBER (JUDICIAL)

(PULLELA NAGESWARA RAO)
MEMBER (TECHNICAL)

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