

**CUSTOMS, EXCISE AND SERVICE TAX APPELLATE TRIBUNAL  
CHENNAI**

REGIONAL BENCH – COURT No. III

**Customs Appeal No. 40775 of 2025**

(Arising out of Order-in-Original No. 02/2025 dated 25.04.2025 passed by Commissioner of Customs (Preventive), No. 1, Williams Road, Cantonment, Tiruchirappalli – 620 001)

**M/s. Kripa Absa Jus Cargo Handling Pvt. Ltd.**

D-52A, UGF, Vishkarma Colony,  
MB Road,  
Delhi – 110 044.

**...Appellant**

***Versus***

**Commissioner of Customs**

Tiruchirappalli Commissionerate,  
No. 1, Williams Road,  
Cantonment,  
Tiruchirappalli – 620 001.

**...Respondent**

**APPEARANCE:**

For the Appellant : Mr. K. Bindusaran, Advocate

For the Respondent : Ms. Rajini Menon, Authorised Representative

**CORAM:**

**HON'BLE MR. P. DINESHA, MEMBER (JUDICIAL)**

**HON'BLE MR. VASA SESHAGIRI RAO, MEMBER (TECHNICAL)**

**FINAL ORDER No. 40024 / 2026**

DATE OF HEARING : 04.12.2025

DATE OF DECISION : 08.01.2026

**Per Mr. VASA SESHAGIRI RAO**

The present appeal has been filed by M/s. Kripa Absa Jus Cargo Handling Pvt. Ltd., Coimbatore (hereinafter referred to as the Appellant/Customs Broker), against Order-in-Original No. 02/2025 dated 25.04.2025 ('impugned order' for short) passed by the Principal Commissioner of Customs (Preventive), Tiruchirappalli.

1.2 The proceedings arose from intelligence received by SIIB, JNCH, Mumbai, relating to an attempted import by M/s. Petrolube Industry, wherein undeclared Arecanut/Betel Nut was found concealed behind Bitumen drums. The consignment was intercepted at Nhava Sheva, before transshipment to ICD Tughlakabad.

1.3 Based on the said incident, action was initiated against the Appellant and a Show Cause Notice No 05/2024 (F. No. GEN/CB/ACTN/47/2024-POL) dated 25.10.2024 was issued to the Appellant. Thereafter, the Inquiry Report dated 29.01.2025, concluded that: -

- a. The Appellant had obtained and verified all prescribed KYC documents,
- b. Reasonable due diligence had been exercised,
- c. There was no violation of Regulation 10(e) or 10(n) of CBLR, 2018.

1.4 Notwithstanding the favourable findings of the Inquiry Officer, the Principal Commissioner of Customs (Preventive), Tiruchirappalli, vide Order-in-Original No. 02/2025 dated 25.04.2025, disagreed with the Inquiry Report and held that the Appellant had failed to discharge obligations under Regulation 10(e) and 10(n) of CBLR, 2018. Accordingly, the Adjudicating Authority revoked the Customs Broker Licence under Regulation 17(7), ordered forfeiture of

the entire security deposit of ₹5,00,000/- under Regulation 14, and imposed a penalty of ₹50,000/- under Regulation 18(1) of CBLR, 2018.

2. Being aggrieved by the said Order-in-Original, the Appellant has filed the present appeal before this Tribunal.

3. The Ld. Advocate Mr. Bindusaran, appeared on behalf of the Appellant and advanced detailed submissions in support of the Appeal and the Ld. Authorized Representative Ms. Rajni Menon, appeared for the Revenue and defended the Impugned Order.

4. The Ld. Advocate Mr. Bindusaran for the Appellant made the following submissions which are summarised as below: -

4.1 They had fully complied with KYC requirements prescribed under Regulation 10(n) by obtaining and verifying: -

- i. IEC issued by DGFT
- ii. GST Registration Certificate
- iii. PAN and Aadhaar of the proprietor
- iv. Cancelled cheque, bank statements and AD Code
- v. Lease deed for office premises

4.2 It was submitted that verification letters were sent by Speed Post, duly delivered at the declared address, and the importer had personally visited the Appellant's office on multiple occasions.

4.3 The Appellant contended that: -

- a. no Bill of Entry was filed by them for the impugned consignment;
- b. the goods were intercepted at the gateway port itself;
- c. the alleged smuggling act occurred outside the scope of the Appellant's assignment, which would have commenced only after transshipment to ICD Tughlakabad.

4.4 It was further argued that the Inquiry Officer, after detailed examination, exonerated the Appellant, holding that reasonable due diligence was exercised and that there was no violation of Regulations 10(e) or 10(n).

4.5 On limitation, it was contended that the Show Cause Notice was issued beyond the mandatory 90 days from receipt of the offence report, rendering the entire proceedings void ab initio in terms of Regulation 17.

4.6 Reliance was placed by the Appellant on: -

- a. Shakti Cargo Movers v. CC (Delhi HC)
- b. Shaikh & Pandit Agencies Pvt. Ltd. (Calcutta HC)

to submit that revocation is not justified in absence of mens rea or direct involvement.

5. The Ld. Authorized Representative supported the findings in the impugned order and further submitted as follows: -

5.1 That the Appellant failed to notice glaring discrepancies in KYC documents, including: -

- a. differing signatures of the proprietor,
- b. absence of manufacturing/warehouse facilities,
- c. contradictory statements regarding physical verification.

5.2 It was argued that Regulation 10(n) mandates verification of functioning of the importer at the declared address, which was not satisfactorily established.

5.3 It was contended that the seriousness of the offence justified revocation, forfeiture and penalty, irrespective of whether the Appellant filed the Bill of Entry or not.

6. We have heard the rival submissions of both sides. We have also perused the appeal records, as well as the judicial precedents cited.

7. Upon such consideration, the following issues arise for our determination, namely, as to: -

- i. Whether the Appellant violated Regulations 10(e) and 10(n) of CBLR, 2018?
- ii. Whether revocation of licence, forfeiture of security and penalty are justified?
- iii. Whether the proceedings are barred by limitation under Regulation 17?

8.1 Before examining the issues framed above, it is necessary to briefly advert to the relevant statutory provisions governing the obligations, disciplinary mechanism and consequences under the Customs Broker Licensing Regulations, 2018 (CBLR, 2018).

8.2 Regulation 10 of CBLR, 2018 prescribes the obligations of a Customs Broker. The present proceedings allege violation of Regulation 10(e) and Regulation 10(n), which read, in substance, as follows: -

*Regulation 10(e) obligates a Customs Broker to exercise due diligence to ascertain the correctness of any information which he imparts to a client with reference to any work related to clearance of cargo or baggage.*

*Regulation 10(n) obligates a Customs Broker to verify the correctness of the Importer Exporter Code (IEC), Goods*

*and Services Tax Identification Number (GSTIN), identity of the client and the functioning of the client at the declared address, by using reliable, independent, authentic documents, data or information.*

8.3 We note that the scope of the above obligations is thus confined to reasonable professional diligence based on documentary verification and does not envisage that a Customs Broker should undertake investigative functions, continuous surveillance, or verification beyond what is reasonably expected in the ordinary course of professional engagement.

8.4 Regulation 17 of CBLR, 2018 prescribes the procedure for revocation of licence or imposition of penalty.

The Regulation mandates:

issuance of a Show Cause Notice within 90 days from receipt of an offence report [Regulation 17(1)];

completion of inquiry and submission of inquiry report within stipulated timelines [Regulations 17(2) to 17(6)]; and

passing of final order within 90 days of receipt of the inquiry report [Regulation 17(7)].

The timelines prescribed under Regulation 17 have consistently been held to be mandatory in nature, intended to prevent prolonged uncertainty and arbitrary deprivation of a Customs Broker's right to livelihood.

8.5 Regulation 14 provides for forfeiture of security deposit only upon valid revocation or suspension of licence in accordance with law, while Regulation 18 provides for imposition of penalty for proven contravention of the Regulations. It is well settled that punitive action under these provisions must be proportionate, based on established misconduct, and supported by cogent evidence of violation.

8.6 It is in the backdrop of the above statutory scheme that the allegations against the Appellant, the findings of the Inquiry Officer, and the conclusions arrived at in the impugned Order-in-Original are required to be examined.

Issue (i): Alleged violation of Regulations 10(e) and 10(n) of CBLR 2018

9.1 We find that the Regulation 10(n) requires a Customs Broker to verify IEC, GSTIN, identity of the client and functioning at the declared address using reliable and authentic documents. It does not mandate continuous surveillance or investigation beyond reasonable professional diligence.

9.2 The record clearly shows that the Appellant obtained all statutory KYC documents, verified IEC and

GSTIN from government portals, obtained bank verification, lease deed, and sent verification letters which were delivered at the declared address.

9.3 The Inquiry Officer, after examining statements, documents and submissions, categorically held that the Appellant had taken reasonable steps and complied with Regulation 10(n). We find no cogent reason in the impugned order for discarding the Inquiry Report except for conjectural reasoning.

9.4 Alleged discrepancies such as differing signatures, withdrawal of funds, or business model of the importer do not fall within the statutory obligations of a Customs Broker. The Customs Broker is not expected to act as an investigating agency.

9.5 As regards Regulation 10(e), we find that the obligation to exercise due diligence arises in relation to work actually undertaken by the Customs Broker. In the present case, it is undisputed that no Bill of Entry was filed by the Appellant in respect of the intercepted consignment and the goods were intercepted at the gateway port prior to transshipment. In the absence of any clearance-related

activity performed by the Appellant, no lapse of due diligence under Regulation 10(e) can be attributed.

Based on our findings above, we hold that there is no violation of Regulations 10(e) and 10(n) of CBLR, 2018.

Issue (ii): Proportionality of punishment

10.1 It is well settled that revocation cannot be imposed mechanically and must satisfy the test of necessity and proportionality.

10.2 In the present case we find that:

- i. no Bill of Entry was filed by the Appellant,
- ii. no evidence of connivance or *mens rea* exists,
- iii. the alleged offence occurred prior to commencement of the Appellant's assignment.

10.3 The Appellant has relied upon the case of *Commissioner of Customs (Airport & General), New Delhi v. M/s. Shakti Cargo Movers, 2024 (11) TMI 486 (Delhi High Court)* wherein it was held that once reasonable verification is done, a Customs Broker cannot be penalised for subsequent misconduct of the importer.

10.4 We have perused the above decision and find that The Hon'ble Delhi High Court held that: -

- i. Regulation 10(n) requires the Customs Broker to verify the identity and address of the client at the time of onboarding using reliable and authentic documents.
- ii. The Regulation does not require continuous or perpetual physical surveillance of the client's premises.
- iii. If the KYC documents relied upon are issued by statutory authorities and are not found to be forged or fabricated, the Customs Broker cannot be faulted merely because the exporter/importer later turns out to be non-existent or indulges in fraud.
- iv. A Customs Broker is not an investigating agency and cannot be expected to anticipate future misconduct of the client.

10.5 We also further find that the above ratio squarely applies to the present appeal. Here also: -

- i. The Appellant obtained IEC, GST registration, PAN, Aadhaar, bank certificates, AD Code, lease deed and authorisation.
- ii. Address verification was undertaken through postal confirmation.
- iii. None of the documents have been found to be forged or fake.

iv. The alleged misconduct of the importer surfaced subsequently and was detected at the port of import, prior to any Bill of Entry being filed by the Appellant.

Thus, as held in *Shakti Cargo Movers*, subsequent fraud by the importer cannot retrospectively invalidate KYC verification that was otherwise compliant at the relevant time.

10.6 Therefore, we find that the revocation, forfeiture and penalty are grossly disproportionate and unsustainable.

Issue (iii): Limitation under Regulation 17

11.1 We find that Regulation 17(1) of the CBLR 2018 mandates issuance of a show cause notice to the Customs Broker within ninety days from the date of receipt of the offence report. In the present case, it is an admitted position from Para 2 of the SCN that the offence report was received on 23.07.2024 and, the SCN was issued on 25.10.2024 and the statutory period of ninety days expired on 22.10.2024. Therefore, the initiation of proceedings beyond the date of expiry is thus clearly in contravention of Regulation 17(1) *ibid*.

11.2 In view of the mandatory nature of the timeline prescribed under Regulation 17(1), the issuance of the show

cause notice beyond the stipulated period renders the proceedings time-barred and unsustainable in law, as held by the Bench of this Tribunal in case of *M/s. Kailash Shipping Services Pvt. Ltd. Versus The Principal Commissioner of Customs, General Commissionerate, Chennai-2025 (6) TMI 1367 - CESTAT Chennai*, that the SCN issued beyond ninety days from receipt of the offence report is non est and vitiates the entire proceedings. The same ratio applies mutatis mutandis to the present case; therefore, the impugned proceedings deserve to be set aside in limine.

12. In conclusion, we hold that: -

- i. the Appellant did not violate Regulations 10(e) or 10(n) of CBLR, 2018;
- ii. the impugned order erroneously disregarded the Inquiry Report without valid reasons;
- iii. the proceedings are barred by limitation under Regulation 17 and,
- iv. revocation of licence, forfeiture of security deposit and imposition of penalty are clearly disproportionate and not in accordance with the CBLR.

13. In view of our finding that the proceedings are vitiated at the threshold due to breach of the mandatory limitation prescribed under Regulation 17(1) of CBLR, 2018,

coupled with our findings on merits that there is no violation of Regulations 10(e) and 10(n) and that the penalties imposed are grossly disproportionate, the impugned order is unsustainable both on limitation as well as on merits.

14. Based on the foregoing, the impugned Order-in-Original No. 02/2025 dated 25.04.2025 is set aside. The Licensing Authority is directed to restore the license. The forfeiture of the security deposit is set aside and the penalty imposed is quashed.

15. The appeal is allowed with consequential relief, if any, as per the law.

(Order pronounced in open court on 08.01.2026)

Sd/-  
**(VASA SESHAGIRI RAO)**  
MEMBER (TECHNICAL)

MK

Sd/-  
**(P. DINESHA)**  
MEMBER (JUDICIAL)