GOVERNMENT OF INDIA
MINISTRY OF FINANCE
INCOME TAX DEPARTMENT

1.	PAN	**AAACS0705K**
2.	Name of the assessee	**SUDAL INDUSTRIES LIMITED**
3.	Address of the assessee	**26 NARIMAN BHAVAN, 227 NARIMAN POINT, MUMBAI 400021, Maharashtra, India**
4.	Assessment Year	**2020-21**
5.	Status	**COMPANY**
6.	Residential Status	**Resident**
7.	Date of service of Notice under section 143(2) of the Income-tax Act	**As per Order Sheet**
8.	Date(s) of issue of Notice(s) under section 142(1) of the Income-tax Act	**20/11/2025**
9.	Order passed under section	**147 read with section 144B of the Income-tax Act**
10.	Date of Order	**28/03/2026**
11.	DIN	**ITBA/AST/S/147/2025-26/1088050065(1)**

ASSESSMENT ORDER

1. Brief facts of the case:

M/s Sudal Industries Limited, PAN: AAACS0705K is a Company and had filed their return of income u/s 139(1) of the Income Tax Act for Assessment Year 2020-21 on 12.02.2021 declaring total income at Nil and Book Profit u/s 115JB of the Income Tax Act at NIL. In this case information was made available on the INSIGHT Portal of the Department under 'Risk Management Strategy' formulated by Board under the head 'High Risk CRU/VRU Cases', for the above Assessment Year, which suggested that the income chargeable to tax has escaped assessment in the case of the assessee for the relevant assessment year. As per the information, a survey was conducted on M/s. Dolphin Overseas (Prop: Ms. Prima Pradeep Mhatre, PAN: AJFPM4268C) and M/s. Prime Overseas (Prop: Mr. Sanjeev Ramnath Singh, PAN: AULPS2114E) on 18.02.2020. During the course of Survey proceedings, various statements were recorded and it is noticed that M/s Prime Overseas as well as M/s Dolphin Overseas have provided accommodation entries to different entities. From perusal of the information, it is noticed that M/s Sudal Industries Ltd. with M/s Prime Overseas, Prop. Sanjeev R. Singh to the tune of Rs. 2,25,78,639/- and with M/s. Dolphin Overseas, Prop. Prime Pradeep Mahtre to the tune of Rs.18,22,25,889/- during the F.Y. 2019-20. The above information made available suggests that the income chargeable to tax had escaped assessment.

2. Details of the opportunities given:

<table>
<tr><th>Type of notice/
communication</th><th>Date of notice/
communication</th><th>Date of compliance given</th><th>Response of the assessee received/ not received</th><th>Date of response, if received</th><th>Response type (Full / part / adjournment</th><th>Remarks if any</th></tr>
<tr><td>Notice u/s 148A(d)</td><td>15.04.2025</td><td></td><td>Not received</td><td>NA</td><td>NA</td><td rowspan="6">The notices were sent to the registered E-mail IDs of the assessee i.e. mvashar@sudal.co.in, Krishna@sudal.co.in and through KAILASH1965@GMAIL.COM</td></tr>
<tr><td>Notice u/s 148</td><td>15.04.2025</td><td>3 months from the end of the month in which notice u/s.148 is issued</td><td>Filed Return of income in response to notice u/s 148</td><td>07.06.2024</td><td>NA</td></tr>
<tr><td>Intimation letter</td><td>30.04.2025</td><td>NA</td><td>NA</td><td>NA</td><td>NA</td></tr>
<tr><td>Notice u/s 143(2)</td><td>26.06.2025</td><td>11.07.2025</td><td>Received</td><td>11.07.2025</td><td>Part</td></tr>
<tr><td>Notice u/s 142(1)</td><td>20.11.2025</td><td>26.11.2025</td><td>Received</td><td>26.11.2025</td><td>Adjournment</td></tr>
<tr><td></td><td></td><td></td><td></td><td>15.01.2026</td><td>NA</td></tr>
<tr><td>Show cause Notice</td><td>12.03.2026</td><td>19.03.2029</td><td>Received</td><td>19.03.2029</td><td>Part</td><td></td></tr>
<tr><td>VC</td><td>17.03.2026</td><td>19.03.2026</td><td>Appeared</td><td></td><td></td><td></td></tr>
<tr><td></td><td></td><td></td><td></td><td>20.03.2026</td><td>Part</td><td></td></tr>
</table>

				22.03.2026	Part	

3. Cases where variation is not proposed:

NA

4. In cases where variation is proposed -

4.1 **Complete description of issue involved:**

M/s Sudal Industries Limited, PAN: AAACS0705K is a Company and had filed their return of income u/s 139(1) of the Income Tax Act for Assessment Year 2020-21 on 12.02.2021 declaring total income at Nil and Book Profit u/s 115JB of the Income Tax Act at NIL. In this case information was made available on the INSIGHT Portal of the Department under 'Risk Management Strategy' formulated by Board under the head 'High Risk CRU/VRU Cases', for the above Assessment Year, which suggested that the income chargeable to tax has escaped assessment in the case of the assessee for the relevant assessment year. As per the information, a survey was conducted on M/s. Dolphin Overseas (Prop: Ms. Prima Pradeep Mhatre, PAN: AJFPM4268C) and M/s. Prime Overseas (Prop: Mr. Sanjeev Ramnath Singh, PAN: AULPS2114E) on 18.02.2020. During the course of Survey proceedings, various statements were recorded and it is noticed that M/s Prime Overseas as well as M/s Dolphin Overseas have provided accommodation entries to different entities. From perusal of the information, it is noticed that M/s Sudal Industries Ltd. is one of the beneficiaries who have transactions with M/s Prime Overseas, Prop. Sanjeev R. Singh to the tune of Rs. 2,25,78,639/- and with M/s. Dolphin Overseas, Prop. Prime Pradeep Mahtre to the tune of Rs.18,22,25,889/- during the F.Y. 2019-20. The above information made available suggests that the income chargeable to tax had escaped assessment.

4.2 After considering the facts of the case along with specified information available, it was concluded by JAO that this is a fit case for issue of notice u/s 148 of the Act. Order u/s 148A(d) of the act was passed on 15.04.2024– with prior approval of the specified authority u/s 151 of the Income tax Act. Notice u/s 148 of the Act dated 15.04.2024 was issued to assessee for re-opening the assessment proceedings for AY 2020-21, after following the due procedure laid down by the Act.

5. Synopsis of all the submissions of the assessee relating to the issue and indicating the dates of submission:

5.1 During the course of assessment proceedings, statutory Notice u/s. 148 of the Act was issued to the assessee vide DIN: ITBA/AST/S/148_1/2024-25/1064112558(1)on15.04.2025. In response to the notice, the assessee filed return of income on 07.06.2024An intimation to assessee, for completion of assessment in accordance with procedure of section 144B of the act, was issued on 30.04.2025. Through this intimation, assessee was intimated that the case had been selected for the purpose of faceless assessment/ re-assessment and had been assigned to Assessment Unit for completion of assessment in faceless manner in accordance with the procedure laid down in section 144B of the Act.

5.2 A Notice u/s. 143(2) of the Income Tax Act was issued to assessee vide DIN: ITBA/AST/F/143(2)_5/2025-26/1077838502(1)on 26.06.2025**.** The assessee was required to furnish the above details on or before 11.07.2025. The assessee furnished a reply on 11.07.2025, which is reproduced below:

Malpani Shyam & Co.
Chartered Accountants
307 Chartered House
Dr. C H Street, Marine Lines
Mumbai – 400 002
Contact No. 022 – 40311900
+91 9833997836 & +91 9819861601

July 11, 2025

To
The Assessing Officer
Assessment Unit
Income Tax Department

Honourable Sir,

Sub: **Sudal Industries Limited (PAN: AAACS0705K)**
Ref: Reply to Notice u/s 143(2) r.w.s. 147 of the Income Tax Act, 1961 for A.Y. 2020-21

With reference to above and as per the instruction of our above mentioned client, our client was in receipt of your honour's notice u/s 143(2) r.w.s. 147 of the Income Tax Act,1961 ("the Act") dated 26.06.2025 for AY 2020-21. In this regard, we would like to state as under:

1. We are enclosing the following documents of A.Y. 2020-21 in support of the Income Tax return filed on 07.06.2024.
    - Acknowledgement of income Tax Return (**Annexures 1**)
    - Full set of ITR form (**Annexures 2**)
    - Computation of Total Income (**Annexures 3**)
    - Audited financial statements (**Annexures 4**)
    - Tax Audit Report (**Annexures 5**)
    - Copy of form 26AS (**Annexures 6**)

2. It is submitted that in the notice issued issued U/s 148A (b) your honour has states at point no. 2 that *"You are required to show cause as to why, in view of the details contained in enclosures mentioned in point no. 1, a notice section 148 of the Income Tax Act, 1961 , should not be issued."*

2.1 Further the details of information mentioned in the notice is reproduced herebelow:

"Information has been received through Insight Portal of Income Tax Department. The information was shared by the Central Circle -4(3), Mumbai. As per the information it is communicated that a Survey action was conducted on M/s Dolphin Overseas (Prop: Ms Prima Pradeep Mhatre, PAN: AJFPM4268C) and M/s Prime Overseas (Prop: Mr. Sanjeev Ramnath Singh, PAN: AULPS2114E) on 18.02.2020. During the course of Survey proceedings, various statement were recorded and it is noticed that M/s Prime Overseas as well as M/s Dolphin Overseas have provided accommodation entries to different entities.

Assessee, M/s Sudal Industries Ltd. is one of the beneficiaries who have transactions with M/s Prime Overseas, Prop. Sanjeev R. Singh to the tune of Rs. 2,25,78,639/- during the F.Y. 2019-20. Therefore the total amount of Rs. 2,25,78,639/- in the books of M/s Sudal Industries Ltd. remains unexplained during the F.Y. 2019-20 relevant to A. Y. 2020-21."

.2 In this regard it is submitted that your honour has stated that your assesse is the alleged beneficiaries for alleged accommodation entries given by the supplier M/s. Prime Overseas. **At the outstet, it is submitted that your has not taken any accommodation entries from the said entity. It is submitted that your assesse has entered into genuine purchase transactions with the said entity during the A.Y. 2020-21.**

.3 It is submitted that your assesse is into business of manufacturing and selling of tailor made aluminum extrusion and alloys and has manufacturing / production unit at Nasik. For that purpose your assesse procures Aluminum ingots, billets and scrap as base raw material from various parties. It is submitted that during the year under consideration i.e. A.Y. 2020-21, your assesse had bought aluminum scrap of from Prime Overseas totaling to 170,260 kgs out of total 44,76,340.54 Kgs purchases of aluminum scrap made during the A.Y. 2020-21 (**Annexure A**). It is submitted that your assesse had bought such aluminum scrap only after due negotiations and as per the prevailing market rates from time to time. It is submitted that your assesse duly followed necessary Standard Operating Procedures (SOPs) for such procurement of aluminum scrap from the said party.

2.4 In this regard to substantiate the fact we are enclosing the following documents of A.Y. 2020-21 in support of our contention:

i. Details ledger summary of invoice wise transaction made with Prime Overseas (**Annexure -B**)
ii. Copies of all purchase invoices issued by Prime Overseas (**Annexure- C**)
iii. Copies of E- way bills mentioning the Transport Truck number
iv. Goods receipts note (GRN) mentioning the Purchase order number, Quantity in Kgs
v. Transporters receipts mentioning truck number, quantity along affixed GRN stamp with relevant details.
vi. Purchase Order mentioning the quantity, price, delivery terms and payment terms.
vii. External Weight Bridge note
viii. Internal Weight Bridge note
ix. Copies of Bank statements highlighting the payment made to Prime Overseases (**Annexure-D**).
x. Copies of Debit notes (**Annexure-E**)
xi. Copies of mails communication for price negotiations/fixation (**Annexure-F**)

2.5 It is submitted that your assesse has made genuine transactions of purchase of aluminum scrap with Prime Overseas. It is submitted that every invoice is supported with a mandatory E-way bill under GST Act and Transporter receipts.

2.6 It is also submitted that your assesse is providing the sample copies of email communication which demonstrates that rate negotiations and fixation of rate which had taken place before placing the purchase order with the said party.

2.7 It is submitted that Transporter receipt for delivery of raw material are provided for every purchase transaction which proves that there was actual delivery of raw material and the transaction were not mere alleged accommodation entries.

2.8 It is pertinent to note that Debit notes were also issued which demonstrates that there existed rate differences, quality issues, difference in quantity billed and actual delivery of goods which proves that such transactions were genuine in nature. It is submitted that such debit notes are accounted in the ledger account of the said party forming part of books of accounts of the assesse and party has accepted the net payments after deduction of such debit notes.

2.9 It is pertinent to note that before entry of goods in the factory at Nasik, the quantity loaded in the trucks are confirmed on weighing scale at Weight Bridge and a Weightment slip is issued by an independent third party specifying the Gross Truck weight, Tare weight and Net weight. Similar weightment is also done for every truck at In-house Weigh Bridge as well to confirm the external weigh bridge data. It is submitted that we have also obtained a confirmation dated 03.04.2024 from the independent Weight Bridge party namely "Ashwamegh Weigh Bridge" located at Nasik on arrival of each truck mentioning the details of Weightment slip number, weighment date, vehicle number, Gross Weight, Tare Weight and Net Weight (**Annexure G**). This corroborates that there was actual delivery of goods for the purchases made from Prime Overseas.

2.10 It is further submitted that all the purchase transactions are supported with the goods receipts note (GRN) which is internal system of assesse for recording and monitoring its raw material inventory. It is submitted that GRN is generated only after due inspection and weightment of delivery of goods.

2.11 It is submitted that your assessee has duly made all the payments to Prime Overseas through banking channels only after due receipt of goods and there is no involvement of any element of cash

2.12 It is reiterated that your assesse has made genuine transaction of purchase of raw material in form of aluminum scrap and had also demonstrated this fact with corroborative evidences as well. It is further submitted that there is no change in % of cost of raw material consumed as compared to previous two years which is demonstrated as under:

(Rs. In Lakhs)

Particulars	FY2019-20	FY 2018-19	FY 2017-18
Revenue From Operation (A)	9201.18	12413.31	10839.59
Cost of material Consumed (B)	7813.92	10095.41	8539.37
Changes in Stock(C)	-48.76	-41.35	-46.56
Consumption for Sales(D) =B+C	7765.16	10054.06	8492.81
% Consumption (E) =D/A x 100	84.39%	80.99%	78.35%

It is submitted that value wise consumption is remains the same as compared to earlier two years as your assesse was buying the same raw material from some other suppliers, this demonstrates that there was no change in consumption pattern.

2.13 It is submitted that the assessment is mere reopened merely on the basis of statement recorded on 18.02.2020 U/s. 131 of the Act of Ms. Prima Pradeep Mhatre during the course of survey proceedings U/s. 133A(1)(A) of the Act. The relevant question is reproduced herebelow:

Q.39. As can be seen from the replies to the above questions, you have stated that the purchases from M/s. Vista Corporation, M/s. Northstar metal Alloys, M/s. Tirupati Metal Art are admitted to be genuine, whereas in response to the above question, you have stated that the sales made to M/s. Sudal Industries Ltd are genuine. The quantum of total purchases from these parties are Rs.92,08,392/- and the total Quantum of total sales to M/s. Sudal Industries Ltd. are Rs.17,88,28,244/-. When you don't have sufficient evidences to prove that purchases indeed have been made, how can you claim that the sales made to M/s. Sudal Industries Ltd. at Rs. 17,88,28,244/- as genuine. Please comment.

Ans : I have complete evidences of M/s. Sudal Industries Ltd like e-ways bills, Purchases order etc. in my possession.

Q.40. Please provide the printout of the correspondence received from M/s. Sudal Industries Ltd. In the case of M/s. Dolphin Overseas for placing the order.

Ans : I am furnishing herewith few of the email correspondences received from M/s. Sudal Industries Limited. Correspondences received from M/s. Sudal Industries Limited are marked as Annexure-4 to the statement.

Our Comments

It is submitted that the proprietor of the Prime Overseas in the above referred question asked during the course of survey proceedings has replied positively referring the assesse to be a genuine party and had stated that it has complete evidence of assesse like e-way bills, purchase orders etc in their possession. Further few email correspondences from the assesse are also submitted to the authorities doing survey. However, in the enquires conducted post survey proceedings, statement was again recorded on 12.03.2020 U/s. 131 of the Act of Proprietor of Prime Overseas, Ms. Prima Pradeep Mhatre, wherein she completely denied / disregarded her previous statement and stated that she has allegedly provided the accommodation entries to the assessee. This is something unusual and uncommon as on the same set of facts the said party accepted the assese to be genuine and in post survey proceedings it stated that she had provided accommodation entries. In such a case the statement cannot be relied upon and cannot be basis for reopening the assessement.

2.14 It is further submitted that merely on the basis of statement recorded of third party your honour cannot reach to a conclusion that transaction made by assese is non genuine unless it is supported by any corroborative evidence. Further reopening the case in such scenario will be invalid and bad in law. In this regard we would like to place reliance on the following case laws:

- **Income-tax Officer, Ward 18(3)1, Mumbai Vs. Rajkumar B. Mutreja [2016] 72 taxmann.com 76 (Mumbai - Trib.)**

  Section 69C, read with sections 147 and 148 of the Income-tax Act, 1961 - Unexplained expenditure (Bogus purchases) - Assessment year 2009-10 - Assessing Officer on basis of information received from Sales Tax Department held that assessee had made bogus purchases from two parties and, therefore, made certain additions to income of assessee under section 69 - Whether since assessee had provided documentary evidences and these documents had not been considered by authorities below and they made additions only on basis of statement of third person, without giving any opportunity to assessee, matter required readjudication - Held, yes

- **Movish Realtech (P.) Ltd. Vs. Deputy Commissioner of Income-tax [2023] 152 taxmann.com 666 (Delhi)**

  Section 68, read with sections 147 and 148, of the Income-tax Act, 1961 - Cash credits (Loan) - Assessment year 2019-20 - Pursuant to a search conducted at 'Oneworld group entities', it was noted that assessee was a beneficiary of an accommodation entry provided in form of *bogus loans - It was alleged by revenue that bogus accommodation entry was provided by AFL Ltd. - It was also noted that AFL was one of several entities controlled by an accommodation entry provider i.e., one, 'R' - Further based on statement of 'R' revenue zeroed down on AFL, which, supposedly, lent money to assessee - In said back drop Assessing Officer issued notice under section 148 and initiated reassessment proceedings against assessee - It was noted from record that foundation for triggering reassessment proceedings qua assessee was statement of 'R' and said statement, by itself, did not lend any clarity as to whether Assessing Officer had underlying material available with him for reaching a conclusion that income chargeable to tax qua assessee had escaped assessment - Whether since search and seizure action under section 132 was not carried out against assessee such action was carried out against a third party and furthermore, assessee was not given opportunity of hearing, best way forward would be to set aside order passed under section 148A(d) and consequential notice issued under section 148 - Held, yes*

- **Evershine Recreation Private Limited Vs DCIT (ITAT Chandigarh) ITA No. 718/CHD/2022 Date of order 15.09.2023**

Held that the learned Commissioner of Income Tax (Appeals) has erred in upholding the Assessing Officer reliance on a third party opinion without application of his own mind, without verifying the facts from the record before issuing the notice under section 148 of the Income Tax Act. Held that the learned Commissioner of Income Tax (Appeals) has gone wrong in upholding the initiation of the re-opening of the completed assessment on the basis of information contained in search material found during search of a third party. Since there was no incriminating material, the initiation, completion and consequential upholding of the re-assessment proceedings is not sustainable in law.

.15 It is prayed to your honour to allow your assesse to cross examine the principal officer of Prime Overseas to confront the facts, in absence of the same the reopening of assessment is bad in law. In this regard we place reliance on the following case laws:

- **Principal Commissioner of Income-tax v. Nitin Ramdeoji Lohia [2022] 145 taxmann.com 546 (Bombay)**

Section 69C, read with section 148, of the Income-tax Act, 1961 - Unexplained expenditure (Bogus purchases) - Assessment years 2010-11 and 2011-12 - An information was received from Sales Tax Department relating to certain persons who were engaged in providing accommodation entries on account of bogus purchases to several parties and that assessee was also one of beneficiaries of such bogus bills of purchases - Based on said information, Assessing Officer issued reopening notice upon assessee and, further, made additions to income of assessee on account of alleged bogus purchases - It was noted that Commissioner (Appeals) observed that if purchases were bogus, it would be impossible for assessee to complete business transaction and corresponding sales would also be bogus, thus, unless corresponding sales were held to be bogus, purchases also could not be bogus, rather it would be a case of purchase from bogus entities/parties - Further, Tribunal noted that case of revenue was based on investigation carried out by sales tax department only and that no cross-examination of persons whose names had figured in list so prepared by sales tax department was allowed - Whether, on facts, Tribunal was justified in deleting addition made on account of bogus purchases – Held Yes.

- **Sarwan Kumar Poddar vs. Union of India [2022] 142 taxmann.com 34 (Calcutta)**
  Where Assessing Officer issued reopening notice upon assessee solely on basis of an information collected during search conducted in case of a group of companies that assessee had entered into high risk financial transactions with said group, since such information concerning assessee was not furnished or disclosed to him and assessee was also not given opportunity of cross-examination of a person who was stated by Assessing Officer to have given a statement against assessee, there was a gross violation of principles of natural justice and, thus, impugned reopening notice issued against assessee same was to be set aside.

2.16 **Conclusion**

It is submitted that your assesse has made genuine raw material purchases from Prime Overseas during the year A.Y. 2020-21. To substantiate this fact your assesse has submitted all the copies of Invoices, E-way bills, Transporter receipts, GRN, Weightment Receipts (Interenal as well as External), Debit notes, email communications, Purchase orders and copies of bank statements. Further your the actual raw material purchase from the said party were been actually consumed to manufacture the finished product. It is further submitted that the contradictory statements were recorded of the Proprietor of Prime Oversease during the survey proceedings and post survey proceedings and hence the same cannot be relied upon for reopening the assessment. Further your honour not made any independent enquires like issuing notices U/s. 133(6) of the Act and has simply relied upon the recorded statements. It is therefore prayed to your honour to consider the facts presented this present submission.

Thanking You,

Yours Faithfully

sd/-

Chartered Accountants

Encl: As Above.

5.3 Further Notice u/s. 142(1) of the Income Tax Act was issued to assesseevide DIN: ITBA/AST/F/142(1)/2025-26/1082796469(1) on 20.11.2025**.** Vide this notice, the assessee was requested to furnish the following details:

*In connection with the assessment proceedings u/s. 144(B) rws 143(3) rws 147 of the Income Tax **Act** 1961for the previous year **2019-20**Asst.Year 2020-21, your response to notice u/s 143(2) is duly acknowledged. In this regard it is being informed the details submitted by you are being examined. You are requested to furnish any additional details in support of your claim on or before the due date as per this notice.*

*With respect to your request of cross examination, it is informed that the reopening of assessment has been done as per the provisions of the Act and is valid even in the absence of cross examination. Reliance on the case law **GTC Industries Ltd. v. ACIT (1998) 65 ITD 380 (ITAT** Bombay), is invited where the ITAT held as follows:*

A part of this principle is that if any reliance is placed on evidence or

record against a person then that evidence or record must be placed before him for his information, comment and criticism. That is all that is meant by the doctrine of audialterampartem, that no party should be condemned unheard. No natural justice requires that there should be a kind of a formal cross-examination. Formal cross-examination is procedural justice. It is governed by rules of evidence. It is the creation of Courts and not a part of natural justice but of legal and statutory justice. Natural justice certainly includes that any statement of a person before it is accepted against somebody else, that somebody else should have an opportunity of meeting it whether it (sic), by way of interrogation or by way of comment does not matter. So long as the party charged has a fair and reasonable opportunity to see, comment and criticise the evidence,statement or record on which the charge is being made against him the demands and the test of natural justice are satisfied. Cross-examination in that sense is not the technical cross-examination in a Court of law in the witness-box."

Hence the proceedings will be decided on examination of the details submitted. You are requested to furnish any additional details in support of your claim on or before the due date as specified in the Notice.

5.4 The assessee was required to furnish the above details on or before 26.11.2025. He made a request for adjournment of three weeks more to produce the required documents vide reply on 26.11.2025. Later, furnished a reply letter on 15.01.2026, which is reproduced below:

Malpani Shyam & Co
Chartered Accountants
307 Chartered House
Dr. C H Street, Marine Lines
Mumbai – 400 002
Contact No. 022 – 40311900,
+91 98339 97836 & +91 98198 61601

January 15, 2026

To
Assessment Unit/Verification Unit/Technical Unit/Review Unit
Income Tax Department

Honourable Sir/ Ma'am,

Sub: **Sudal Industries Limited (PAN: AAACS0705K)**
Re: **Submission of details in response to notice u/s 142(1) of the Income Tax Act, 1961 ('the Act') for A.Y. 2020-21.**

With reference to above and as per the instructions of our above mentioned client, we would like to state that our client is in receipt of your honour's notice u/s 142(1) of the Act vide DIN: ITBA/AST/F/142(1)/2025- 26/1082796469(1) for A.Y. 2020-21 notice issued dated 20.11.2025. In this regard we would like to submit as under.

With regards to notice issued u/s 142(1) of the Act, your honour has denied our request of cross examination stating that the reopening of assessment has been done as per the provisions of the Act and placed its reliance on the case law of ***GTC Industries Ltd. v. ACIT (1998) 65 ITD 380 (ITAT Bombay)*** which is reproduce herebelow:

"A part of this principle is that if any reliance is placed on evidence or record against a person then that evidence or record must be placed before him for his information, comment and criticism. That is all that is meant by the doctrine of audi alterampartem, that no party should be condemned unheard. No natural justice requires that there should be a kind of a formal cross-examination. Formal cross-examination is procedural justice. It is governed by rules of evidence. It is the creation of Courts and not a part of natural justice but of legal and statutory justice. Natural justice certainly includes that any statement of a person before it is accepted against somebody else, that somebody else should have an opportunity of meeting it whether it (sic), by way of interrogation or by way of comment does not matter. So long as the party charged has a fair and reasonable opportunity to see, comment and criticise the evidence,statement or record on which the charge is being made against him the demands and the test of natural justice are satisfied. Cross-examination in that sense is not the technical cross-examination in a Court of law in the witness-box."

It is respectfully submitted that the reliance placed on the above decision is not applicable to the facts of the present case. Even as per the extract of the case law relied upon by your honour, the fundamental requirement of natural justice is that the assessee must be provided a **fair and reasonable opportunity to see, comment and criticize the evidence or statement relied upon**. The decision does not dilute with this requirement; rather, it expressly acknowledges it as an essential component of natural justice.

In the present case, the statements relied upon are **third-party statements** which are the **sole and decisive material** forming the basis of the proceedings and also **contradictory in nature**, with earlier statements affirming the genuineness of the transactions with the assessee.

In such circumstances, merely furnishing copies of statements and calling upon the assessee to file written submissions does not, with respect, amount to a fair or reasonable opportunity to criticize the statements relied upon. Where a statement is decisive and forms the sole basis of the proposed action, effective criticism is not possible without an opportunity to confront the person making the statement.

Accordingly, it is submitted that the denial of cross-examination in the present case makes the opportunity as mentioned under the decision in **GTC Industries Ltd. v. ACIT** merely notional, and thus no adverse inference ought to be drawn on the basis of untested third-party statements.

Thanking You

Yours Faithfully

Sd/-

Chartered Accountants
Encl: As Above

5.5 Assessee's reply has been carefully verified by this Unit. Regarding request for cross examination the assessee the following reply is issued on incorporated with Notice u/s.142(1) on 20.11.2026.

In connection with the assessment proceedings u/s. 144(B) rws 143(3) rws 147 of the Income Tax **Act** 1961 for the previous year **2019-20**Asst.Year 2020-21, your response to notice u/s 143(2) is duly acknowledged. In this regard it is being informed the details submitted by you are being examined. You are requested to furnish any additional details in support of your claim on or before the due date as per this notice.

With respect to your request of cross examination, it is informed that the reopening of assessment has been done as per the provisions of the Act and is valid even in the absence of cross examination. Reliance on the case law **GTC *Industries Ltd. v. ACIT (1998) 65 ITD 380 (ITAT*** Bombay), is invited where the ITAT held as follows:

> *A part of this principle is that if any reliance is placed on evidence or record against a person then that evidence or record must be placed before him for his information, comment and criticism. That is all that is meant by the doctrine of audialte rampartem, that no party should be condemned unheard. No natural justice requires that there should be a kind of a formal cross-examination. Formal cross-examination is procedural justice. It is governed by rules of evidence. It is the creation of Courts and not a part of natural justice but of legal and statutory justice. Natural justice certainly includes that any statement of a person before it is accepted against somebody else, that somebody else should have an opportunity of meeting it whether it (sic), by way of interrogation or by way of comment does not matter. So long as the party charged has a fair and reasonable opportunity to see, comment and criticise the evidence,statement or record on which the charge is being made against him the demands and the test of natural justice are satisfied. Cross-examination in that sense is not the technical cross-examination in a Court of law in the witness-box."*

Hence the proceedings will be decided on examination of the details submitted. You are requested to furnish any additional details in support of your claim on or before the due date as specified in the Notice.

In response to this the assessee uploaded the responses on 15.01.2026.

5.6 Summary of information/evidence collected which proposed to be used against it (attach documents if required):

As per the information detailed in para 4.2, order u/s 148A(d) of the Income Tax Act passed on 15.04.2025.

6. Variation proposed on the basis of inference drawn

6.1 The assessee's reply to Notices have been duly considered along with the documents attached, This office is in receipt of the sworn in statement of Shri SanjivRamnath Singh during the Survey proceedings in the case of M/s. Dolphin Overseas, Mumbai. To the Question No. 10 and 11 of the sworn in statement, Shri SanjivRamnath Singh gives that M/s. Dolhin Overseas had issued accommodation entries to M/s. Sudal Industries along with other companies.

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Statement on oath dated 12/03/2020 of Shri Sanjeev Ramnath Singh, S/o Shri Ramnath Singh, aged 40 years, residing at E-104, Sejal Kajal Apartment, Ram Mandir Road, Goregaon(W), Mumbai-400104 U/s 131 of the I T Act, 1961 during the course of post survey proceedings in the case of M/s Dolphin Overseas, Ground Floor, A/1, Anand Nagar CHS Ltd., Sitala Devi Road, Mahim – 400016 at Room No. 120, 1st Floor, Scindia House, Bellard Estate, Mumbai – 400038.

Oath Administered

"I do swear in the name of God that I will speak only the truth and nothing but the truth. I further confirm that I have been made aware of the consequences of making false statement on oath."

Before Me **Deponent**

12/3/2020

(Prathap Singh Bhukya)
DDIT(Inv), Unit-5 (1), Mumbai

(Sanjeev R Singh)

Q.9 Can you please explain the modus operandi being followed by you for issuing accommodation entries of purchases.

Ans: I have direct contact with all the parties, to whom, I made sales. As and when they require accommodation entries of purchases, I issue 'Sale Invoices' in their name and they make payment through banking channels. After receipt of the payment from the concerned party, I either withdraw cash from my account or make RTGS / NEFT transfer to the other entities, which are under my control like M/s ND Enterprises, M/s Nesa Global, M/s Puran International etc., and get it withdrawn cash from those accounts. After keeping the equivalent amount of commission @ 2% with me, I arrange cash to them. I would also like to mention that on few occasions, they request me to make RTGS to the entities under their control. To cover up these kind of transactions, I obtain 'purchase invoices' from these entities, to give a colour that the payments are made to these parties in lieu of purchase of material.

Q.10 Can you please specify the names of the parties, to whom, you have issued accommodation entries of 'purchases'.

Ans: In F.Y. 2018-19, I have issued accommodation entries to the tune of Rs.84,86,487/- to M/s Dolphin Overseas (Prop : M/s Prima Pradeep Mhatre) and Rs.11,61,356/- to M/s Sawaria Industries (BPLPA3393D).

In F.Y. 2019-2020, I have issued accommodation entries to the tune of Rs.31,28,50,357/- and the details are as under: -

Sr. No.	Name of the entity	PAN	Amount (Rs.)
4	M/s Sudal Industries Ltd	AAACS0705K	2,25,78,639

Q.11 Can you please confirm that you have issued accommodation entries to the above entities?

Ans: Yes, I do confirm that the sales made by me in my proprietary concern M/s Prime Overseas are only accommodation entries. There is no genuine business activities. All these transactions are carried out for a commission of 2%. The commission earned by me has not been disclosed in the income tax returns. I am ready to pay taxes on the commission income received by me in lieu of accommodation entries issued by me.

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Q.15 Please specify the complete details of concerned person of M/s Sudal Industries Ltd, who is in touch with you for dealing the accommodative transactions as deposed by you.

Ans: Mr Shirish Raut, Purchase Manager of M/s Sudal Industries Ltd is the concerned person. His contact number is 9223192845. All the transactions executed over mobile phone only.

Q.16 Please specify the complete details of concerned person of M/s Kejriwal

The sworn statement of Mr.Prime Pradeep Mhatre, during the Survey proceedings in the case of M/s. Prime Overseas, Mumbai has been made available to this office. The relevant part of the sworn in statement is pard below:

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उप निदेशक आयकर (अन्वे.) एकक-5(1), Dy. Director of Income Tax (Inv.), Unit-5(1)
मुंबई / Mumbai

12/3/2020

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invoices' from these entities, to give a colour that the payments are made to these parties in lieu of purchase of material.

Q.10 Can you please specify the names of the parties, to whom, you have issued accommodation entries of 'purchases'.

In F.Y. 2019-2020, I have issued accommodation entries to the tune of Rs.24,76,91,812/- and the details are as under: -

Sr. No.	Name of the entity	PAN	Amount (Rs.)
1	M/s Sudal Industries Ltd	AAACS0705K	18,22,25,889
[illegible]	[illegible]	[illegible]	[illegible]

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PRATHAP SINGH BHUKYA

12/3/2020

As per the recorded statements under oath, which is having evidentiary value accommodation entries have been takenforpurchasesas under:

Entity	Accommodation entry
M/s.Dolhin, Prop. Sanjeev by R Singh	2,25,78,639
M/s. Prime Overseas, byMr.Prime Pradeep Mhatre	18,22,25,889

On the basis of the above a Show Cause Notice proposing to treat the amount of Rs.***20,48,04,528***/- as bogus unexplained purchase A show Cause Notice was issued on 13.03.2026. The relevant portion of the Notice is extracted below:

This office is in receipt of the sworn in statement of ShriSanjivRamnath Singh during the Survey poceedings in the case of M/s. Dolphin Overseas, Mumbai. To the Question No. 10 and 11 of the sworn in statement, Shri SanjivRamnath Singh gives that M/s. Dolhin Overseas had issued accommodation entries to M/s. Sudal Industries along with other companies.

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Before Me | **Deponent**

12/3/2020

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Dy. Director of Income Tax (Inv.), Unit-5(1)
मुंबई / Mumbai

12/3/2020

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PRATHAP SINGH BHUKYA

12/3/2020

As per the recorded statements, which is having evidentiary value accommodation entries have been takenfor purchasesas under:

Entity	*Accommodation entry*
M/s.Prime Overseas, Prop. Sanjeev R Singh	*2,25,78,639*
M/s. Dolphin Overseas, Mr.Prime Pradeep Mhatre	*18,22,25,889*

*it is proposed to treat the amount of Rs.**20,48,04,528**/- as bogus unexplained purchase. Accordingly, in the absence of any supporting evidence of the total receipts amounting to Rs.**20,48,04,528**/- is proposed to consider as the undisclosed purchase u/s 69C and to be added to the toral income of the assessee.*

(Addition Proposed: Rs.20,48,04,528/-)

It is also proposed to initiate penalty proceedings u/s.271AAC(1) for addition of income on unexplained purchase u/s 69C.

To the Show Cause Notice assessee Furnised response on 19.03.2027 as below:

Malpani Shyam & Co.
Chartered Accountants
307 Chartered House
Dr. C H Street, Marine Lines
Mumbai – 400 002
Contact No. 022 – 40311900
+91 9833997836 & +91 9819861601

March 19, 2026

To
The Assessing Officer
Assessment Unit
Income Tax Department

Honourable Sir,

Sub: Sudal Industries Limited (PAN: AAACS0705K)
Ref: Reply to Show Cause Notice dated 12.03.2026 for A.Y. 2020-21

With reference to above and as per the instruction of our above mentioned client, our client was in receipt of your honour's show cause notice dated 12.03.2026 for AY 2020-21. In this regard, we would like to state as under:

1. We state that the present proceedings commenced by issue of notice U/s 148 of the Income Tax Act, 1961 ("the Act") dated 15.04.2024 merely relying on the statement recorded during the survey proceedings conducted on M/s. Dolphin Overseas (Prop: Ms. Prima Pradeep Mhatre, PAN: AJFPM4268C) and M/s. Prime Overseas (Prop: Mr. Sanjeev Ramnath Singh, PAN: AULPS2114E) on 18.02.2020. Further this information was considered by your honour only on the basis of information was made available on the INSIGHT Portal of the Department under 'Risk Management Strategy' formulated by Board under the head 'High Risk CRU/VRU Cases', for the above Assessment Year, which suggested that the income chargeable to tax has escaped assessment in the case of the assessee for the relevant assessment year. Your honour has not applied it mind while reopening the present assessment proceedings. Further your honour has not made any independent enquiries and has only relied upon the information from the insight portal. Also the document provided before your honour during the present proceedings has neither controverted nor any defect was found out. Further in the order passed U/s 148A (d) dated 15.04.2024, only one

party was considered for reopening the assessment i.e. M/s Prime Overseas, Prop. Sanjeev R. Singh, however in the present show cause notice your honour has additionally considered one more party (i.e. Dolphin Overseases) for making arbitrary addition which is bad in law. We therefore state that the reopening proceedings itself is incorrect, illegal and bad in law.

2. We further state that your assessee has given detailed submission vide letter dated 11.07.2025 along with the necessary supporting documents relating to Prime Overseas, wherein among other we asked your honour to provide an opportunity to cross examine the party whose recorded statement is relied upon for making the present proposed addition. In this regard your honour simply issued notice dated 20.11.2025 and stated that reopening is valid relying on the recorded statements of third party and a case of GTC Industries Ltd. v. ACIT (1998) 65 ITD 380 (ITAT Bombay) was relied upon to give justification. It is however submitted that the opportunity to provide cross examination was not granted to your assessee inspite of making specific requests during the course of present assessment proceedings vide submission dated 11.07.2025 and 15.01.2026. This is against the basic principles of natural justice as your honour has not given any reason for rejecting the opportunity of cross examination. Thus the present proceeding is vitiated and assessee has been denied the opportunity of cross examination which is incorrect, illegal and bad in law.

2.1 Further your honour has issued notice this present show cause notice by proposing the humongous and arbitrary addition of Rs. 20,48,04,528/- by treating the genuine purchases as accommodation entries and merely relying on the recorded without considering the documents and submissions made during the course of assessment proceedings. Your honour has not made any independent enquiries, no evidences were found of any cash transactions to prove the purchase transactions as bogus and has simply relied upon the recorded statements of two purchase parties.

2.2 In this regard it is submitted that your honour has stated that your assesse is the alleged beneficiaries for alleged accommodation entries given by the supplier M/s. Prime Overseas and Dolphin Oversease. <u>At the outstet, it is submitted that your has</u>

not taken any accommodation entries from the said entity. It is submitted that your assesse has entered into genuine purchase transactions with the said entities during the A.Y. 2020-21.

2.3 It is submitted that your assesse is listed company on Bombay Stock Exchange (BSE) which engaged into business of manufacturing and selling of tailor made aluminum extrusion and alloys and has manufacturing / production unit at Nasik. For that purpose your assesse procures Aluminum ingots, billets and scrap as base raw material from various parties. It is submitted that during the year under consideration i.e. A.Y. 2020-21, your assesse had bought aluminum scrap of from Prime Overseas totaling to 170,260 kgs and from Dolphin Overseas totaling to Rs. 13,72,063 Kgs out of total 44,76,340.54 Kgs purchases of aluminum scrap made during the A.Y. 2020-21 (**Annexure A**). The quantity wise total purchases from these two parties constitute 34.45 % ((170260+1772063)/4476340 X 100) of total aluminum scrap purchases made during the A.Y. 2020-21 It is submitted that your assesse had bought such aluminum scrap only after due negotiations and as per the prevailing market rates from time to time. It is submitted that your assesse duly followed necessary Standard Operating Procedures (SOPs) for such procurement of aluminum scrap from the said party.

2.4 In this regard to substantiate the fact we are enclosing the following documents of A.Y. 2020-21 in support of our contention:

i. Details ledger summary of invoice wise transaction made with Prime Overseas (**Annexure -B**)
ii. Copies of all purchase invoices issued by Prime Overseas (**Annexure- C**)
iii. Copies of E- way bills mentioning the Transport Truck number
iv. Goods receipts note (GRN) mentioning the Purchase order number, Quantity in Kgs
v. Transporters receipts mentioning truck number, quantity along affixed GRN stamp with relevant details.
vi. Purchase Order mentioning the quantity, price, delivery terms and payment terms.

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iv. Goods receipts note (GRN) mentioning the Purchase order number, Quantity in Kgs
v. Transporters receipts mentioning truck number, quantity along affixed GRN stamp with relevant details.
vi. Purchase Order mentioning the quantity, price, delivery terms and payment terms.

vii. External Weight Bridge note

viii. Internal Weight Bridge note

ix. Copies of Bank statements highlighting the payment made to Prime Overseases (Annexure-D).

x. Copies of Debit notes (Annexure-E)

xi. Copies of mails communication for price negotiations/fixation (Annexure-F)

2.5 It is submitted that your assesse has made genuine transactions of purchase of aluminum scrap with Prime Overseas. It is submitted that every invoice is supported with a mandatory E-way bill under GST Act and Transporter receipts.

2.6 It is also submitted that your assesse is providing the sample copies of email communication which demonstrates that rate negotiations and fixation of rate which had taken place before placing the purchase order with the said party.

2.7 It is submitted that Transporter receipt for delivery of raw material are provided for every purchase transaction which proves that there was actual delivery of raw material and the transaction were not mere alleged accommodation entries.

2.8 It is pertinent to note that Debit notes were also issued which demonstrates that there existed rate differences, quality issues, difference in quantity billed and actual delivery of goods which proves that such transactions were genuine in nature. It is submitted that such debit notes are accounted in the ledger account of the said party forming part of books of accounts of the assesse and party has accepted the net payments after deduction of such debit notes.

2.9 It is pertinent to note that before entry of goods in the factory at Nasik, the quantity loaded in the trucks are confirmed on weighing scale at Weight Bridge and a Weightment slip is issued by an independent third party specifying the Gross Truck weight, Tare weight and Net weight. Similar weightment is also done for every truck at In-house Weigh Bridge as well to confirm the external weigh bridge data. It is submitted that we have also obtained a confirmation dated 03.04.2024 from the independent Weight Bridge party namely "Ashwamegh Weigh Bridge" located at

Nasik on arrival of each truck mentioning the details of Weightment slip number, weighment date, vehicle number, Gross Weight, Tare Weight and Net Weight (Annexure G). This corroborates that there was actual delivery of goods for the purchases made from Prime Overseas.

2.10 It is further submitted that all the purchase transactions are supported with the goods receipts note (GRN) which is internal system of assesse for recording and monitoring its raw material inventory. It is submitted that GRN is generated only after due inspection and weightment of delivery of goods.

2.11 It is submitted that your assessee has duly made all the payments to Prime Overseas and Dolphin Overseas through banking channels only after due receipt of goods and there is no involvement of any element of cash

2.12 It is reiterated that your assesse has made genuine transaction of purchase of raw material in form of aluminum scrap and had also demonstrated this fact with corroborative evidences as well. It is further submitted that there is no change in % of cost of raw material consumed as compared to previous two years which is demonstrated as under:

(Rs. In Lakhs)

Particulars	FY2019-20	FY 2018-19	FY 2017-18
Revenue From Operation (A)	9201.18	12413.31	10839.59
Cost of material Consumed (B)	7813.92	10095.41	8539.37
Changes in Stock(C)	-48.76	-41.35	-46.56
Consumption for Sales(D) =B+C	7765.16	10054.06	8492.81
% Consumption (E) =D/A x 100	84.39%	80.99%	78.35%

It is submitted that value wise consumption is remains the same as compared to earlier two years as your assesse was buying the same raw material from some other suppliers, this demonstrates that there was no change in consumption pattern.

2.13 It is submitted that the assessment is mere reopened merely on the basis of statement recorded on 18.02.2020 U/s. 131 of the Act of Ms. Prima Pradeep Mhatre during the course of survey proceedings U/s. 133A(1)(A) of the Act. The relevant question is reproduced herebelow:

Q.39. As can be seen from the replies to the above questions, you have stated that the purchases from M/s. Vista Corporation, M/s. Northstar metal Alloys, M/s. Tirupati Metal Art are admitted to be genuine, whereas in response to the above question, you have stated that the sales made to M/s. Sudal Industries Ltd are genuine. The quantum of total purchases from these parties are Rs.92,08,392/- and the total Quantum of total sales to M/s. Sudal Industries Ltd. are Rs.17,88,28,244/-. When you don't have sufficient evidences to prove that purchases indeed have been made, how can you claim that the sales made to M/s. Sudal Industries Ltd. at Rs. 17,88,28,244/- as genuine. Please comment.

Ans : I have complete evidences of M/s. Sudal Industries Ltd like e-ways bills. Purchases order etc. in my possession.

Q.40. Please provide the printout of the correspondence received from M/s. Sudal Industries Ltd. In the case of M/s. Dolphin Overseas for placing the order.

Ans : I am furnishing herewith few of the email correspondences received from M/s. Sudal Industries Limited. Correspondences received from M/s. Sudal Industries Limited are marked as Annexure-4 to the statement.

Our Comments

It is submitted that the proprietor of the Prime Overseas in the above referred question asked during the course of survey proceedings has replied positively referring the assese to be a genuine party and had stated that it has complete evidence of assese like e-way bills, purchase orders etc in their possession. Further few email correspondences from the assese are also submitted to the authorities doing survey. However, in the enquires conducted post survey proceedings, statement was again recorded on 12.03.2020 U/s. 131 of the Act of Proprietor of Prime Overseas, Ms. Prima Pradeep Mhatre, wherein she completely denied / disregarded her previous statement and stated that she has allegedly provided the accommodation entries to the assessee. This is something unusual and uncommon as on the same set of facts the said party accepted the assese to be genuine and in post survey proceedings it stated that she had provided accommodation entries. In such a case the statement cannot be relied upon and cannot be basis for reopening the assessement.

2.14 It is further submitted that merely on the basis of statement recorded of third party your honour cannot reach to a conclusion that transaction made by assesse is non genuine unless it is supported by any corroborative evidence. Further reopening the case in such scenario will be invalid and bad in law. In this regard we would like to place reliance on the following case laws:

- **Income-tax Officer, Ward 18(3)1, Mumbai Vs. Rajkumar B. Mutreja [2016] 72 taxmann.com 76 (Mumbai - Trib.)**
  Section 69C, read with sections 147 and 148 of the Income-tax Act, 1961 - Unexplained expenditure (Bogus purchases) - Assessment year 2009-10 - Assessing Officer on basis of information received from Sales Tax Department held that assessee had made bogus purchases from two parties and, therefore, made certain additions to income of assessee under section 69 - Whether since assessee had provided documentary evidences and these documents had not been considered by authorities below and they made additions only on basis of statement of third person, without giving any opportunity to assessee, matter required readjudication - Held, yes

- **Movish Realtech (P.) Ltd. Vs. Deputy Commissioner of Income-tax [2023] 152 taxmann.com 666 (Delhi)**
  Section 68, read with sections 147 and 148, of the Income-tax Act, 1961 - Cash credits (Loan) - Assessment year 2019-20 - Pursuant to a search conducted at 'Oneworld group entities', it was noted that assessee was a beneficiary of an accommodation entry provided in form of bogus loans - It was alleged by revenue that bogus accommodation entry was provided by AFL Ltd. - It was also noted that AFL was one of several entities controlled by an accommodation entry provider i.e., one, 'R' - Further based on statement of 'R' revenue zeroed down on AFL, which, supposedly, lent money to assessee - In said back drop Assessing Officer issued notice under section 148 and initiated reassessment proceedings against assessee - It was noted from record that foundation for triggering reassessment proceedings qua assessee was statement of 'R' and said statement, by itself, did not lend any clarity as to whether Assessing Officer had underlying material available with him for reaching a conclusion that income chargeable to tax qua assessee had escaped assessment - Whether since search and seizure action under section 132 was not carried out against assessee such action was carried out against a third party and furthermore, assessee was not given opportunity of hearing, best way forward would be to set aside order passed under section 148A(d) and consequential notice issued under section 148 - Held, yes

- **Evershine Recreation Private Limited Vs DCIT (ITAT Chandigarh) ITA No. 718/CHD/2022 Date of order 15.09.2023**

  Held that the learned Commissioner of Income Tax (Appeals) has erred in upholding the Assessing Officer reliance on a third party opinion without application of his own mind, without verifying the facts from the record before issuing the notice under section 148 of the Income Tax Act. Held that the learned Commissioner of Income Tax (Appeals) has gone wrong in upholding the initiation of the re-opening of the completed assessment on the basis of information contained in search material found during search of a third party. Since there was no incriminating material, the initiation, completion and consequential upholding of the re-assessment proceedings is not sustainable in law.

2.15 It is once again prayed to your honour to allow your assesse to cross examine the principal officer of Prime Overseas and Dolphin Overseas to confront the facts, in absence of the same the reopening of assessment is bad in law. In this regard we place reliance on the following case laws:

- **Principal Commissioner of Income-tax v. Nitin Ramdeoji Lohia [2022] 145 taxmann.com 546 (Bombay)**

  Section 69C, read with section 148, of the Income-tax Act, 1961 - Unexplained expenditure (Bogus purchases) - Assessment years 2010-11 and 2011-12 - An information was received from Sales Tax Department relating to certain persons who were engaged in providing accommodation entries on account of bogus purchases to several parties and that assessee was also one of beneficiaries of such bogus bills of purchases - Based on said information, Assessing Officer issued reopening notice upon assessee and, further, made additions to income of assessee on account of alleged bogus purchases - It was noted that Commissioner (Appeals) observed that if purchases were bogus, it would be impossible for assessee to complete business transaction and corresponding sales would also be bogus, thus, unless corresponding sales were held to be bogus, purchases also could not be bogus, rather it would be a case of purchase from bogus entities/parties - Further, Tribunal noted that case of revenue was based on investigation carried out by sales tax department only and that no cross-examination of persons whose names had figured in list so prepared by sales tax department was allowed - Whether, on facts, Tribunal was justified in deleting addition made on account of bogus purchases – Held Yes.

- **Sarwan Kumar Poddar vs. Union of India [2022] 142 taxmann.com 34 (Calcutta)**
  Where Assessing Officer issued reopening notice upon assessee solely on basis of a[n] information collected during search conducted in case of a group of companies that assesse[e] had entered into high risk financial transactions with said group, since such informatio[n] concerning assessee was not furnished or disclosed to him and assessee was also not give[n] opportunity of cross-examination of a person who was stated by Assessing Officer to hav[e] given a statement against assessee, there was a gross violation of principles of natural justic[e] and, thus, impugned reopening notice issued against assessee same was to be set aside.

2.16 **Conclusion**

It is submitted that your assese has made genuine raw material purchases fro[m] Prime Overseas and Dolphin Overseas during the year A.Y. 2020-21. To substantiat[e] this fact your assese has submitted all the copies of Invoices, E-way bill[s] Transporter receipts, GRN, Weightment Receipts (Interenal as well as External[)] Debit notes, email communications, Purchase orders and copies of bank statement[s]. Further your assese has also demonstrated that there are no changes in the inpu[t] output ratio as the actual raw material purchase from the said party were bee[n] actually consumed to manufacture the finished product. It is further submitted tha[t] the contradictory statements were recorded of the Proprietor of Prime Overseas during the survey proceedings and post survey proceedings and hence the sam[e] cannot be relied upon for reopening the assessment. Further your honour not mad[e] any independent enquires like issuing notices U/s. 133(6) of the Act and has simpl[y] relied upon the recorded statements. It is therefore prayed to your honour t[o] consider the facts presented this present submission.

2.17 Further thank you your honour for granting your assessee the opportunity of vide[o] conferencing today for explaining the case and also accepting the request of sho[rt] adjournment of two days as discussed so that your assessee will file details o[f] Dolphin Overseas by 21.03.2026 evening and obliged.

Hope your honour will find the above submission in order.

Thanking You

6. Point-wise rebuttal of reply of the assessee including analysis of any case law relied upon:-

6.1 Ms. Prima Mhatre, Proprietor of M/s. Dolphin Overseas in the sworn statement given during the course of survey proceedings, in the case of M/s. Dolphin Overseas and M/s.Prime overseas on12.03.2020, stated that M/s. Dolphin Overseas had issued accommodation entries to the tune of Rs. 18,22,25,889/-. to M/s Sudal Industries Ltd during the year 2019-20. She also sworn in that all the transactions carried out for a commission of 2%. Further in answer to Q.9 Ms. Prime Mhatre illustrated the Modus operandi for issuing accommodation entries for purchases. The mode of operation is when the party require accommodation entries of purchase, he issues “sale invoices “in their name and they make payment through banking channels. After receipt of the payments he either withdraws the cash or make RTGS/NEFT transfer to other entities or in some times to the accounts given by the “purchase parties”. His contact person is Mr. ShirisRaut, Purchase manager of M/s. Sudal Industries and all the transactions executed over phone.

6.2 In response to the show cause notice, the assessee merely submitted copies of purchase bills, sales invoices for last two years, confirmation from a weigh bridge at Nasik, in regard to purchase from M/s. Dolphin Overseas. However, the assessee did not offer other than stating they are doing genuine business with M/s. Dolphin Overseas.

6.3 The sworn statement of Ms. Prima Pradeep Mhatre during the survey proceedings says that they issues sale invoices and money is transferred to their account and return back either through their account or that of some other entity.

6.4 The assessee submitted the comparative details of purchases during the years 2018-19 and 2019-20. It can be observed there is an increase of 25% with M/s. Dolphin International while the next highest increase is 2.93% is with M/s. Prime Overseas. The purchase from a particular purchaser increasing significantly high also leaves an element for bogus purchases.

6.5 The discussions made above clearly indicate that the assessee has entered in making accommodation entries and bogus purchases with M/s. Dolphin Overseas..Hence it is concluded that as per the assessee has made bogus purchases with M/s. Dolphin Overseas to the tune of Rs. 18,22,25,889/-.

6.6 Shri. Sanjeev Ramnath Singh, proprietor of M/s Prime Overseas, in the sworn statement given during the course of survey proceedings, in the case of M/s. Dolphin Overseas and M/s. Prime overseas on12.03.2020, stated that M/s. Prime Overseas had issued accommodation entries to the tune of Rs.

18,22,25,889/- to M/s Sudal Industries Ltd during the year 2019-20.He also stated that all the transactions carried out for a commission of 2%. Further in answer to Q.9 Shri Sanjeev Ramnath Singh illustrated the Modus operandi for issuing accommodation entries for purchases. The mode of operation is when the party require accommodation entries of purchase, he issues “sale invoices “in their name and they make payment through banking channels. After receipt of the payments he either withdraws the cash or make RTGS/NEFT transfer to other entities or in some times to the accounts given by the “purchase parties”. His contact person is Mr. ShirisRaut, Purchase manager of M/s. Sudal Industries and all the transactions are executed over phone.

6.7 In response to the show cause notice, the assessee merely submitted copies of purchase bills, sales invoices for last two years, confirmation from a weigh bridge at Nasik, in regard to purchase from M/s. primeOverseas. However, the assessee did not offer other than stating they are doing genuine business with M/s. Prime Overseas.

6.8 The sworn statement of Shri Sanjeev Ramnath Singh during the survey proceedings establishes that they issues sale invoices and money is transferred to their account and return back either through their account or that of some other entity.

6.9 The assessee submitted the comparative details of purchases during the years 2018-19 and 2019-20. It can be observed there is an increase of increase is 2.93% is with M/s. Prime Overseas. The purchase from a particular purchaser increasing significantly high also leaves an element for bogus purchases.

6.10 Ms Prima Pradeep, Proprietor of M/s Dolphin overseas again and again admitted in the multiple statements (18/02/2020 and 12/03/2020) recorded from her. She did not have anything to prove that she was running a genuine business.

Q.8 **I am showing your statement recorded u/s 131 of the Act dated 18.02.2020 in connection with the survey proceedings u/s 133A of the Act in the case of M/s Dolphin Overseas, wherein in response to Q. No. 52, you have stated that M/s Dolphin Overseas is not engaged in any genuine business activity and it is just issuing accommodation entries of purchases for commission @ 2% on the sale value. The relevant question and answer is copied below for the sake of immediate reference: -**

"...

Q.52 Please refer to the replies provided by you in response to the above questions, wherein the following findings have emerged.

प्रताप सिंह भुक्या / PRATHAP SINGH BHUKYA
आयकर उप निदेशक (अन्वे.) एकक-5(1),
Dy. Director of Income Tax (Inv.), Unit-5(1)
मुंबई / Mumbai

12/3/2020

6.11 No assessee will admit he is giving accommodation entry unless he is doing that business. In this case, the proprietor admitted multiple times that they are not engaged in any genuine business.

a) *M/s Dolphin Overseas had not followed the standard operating procedure in respect of the purchases and sales as admitted by you*
b) *M/s Dolphin Overseas don't have any e-way bill, lorry receipt, weighment slip, delivery challan etc., in support of the actual delivery of goods.*
c) *M/s Dolphin Overseas has made bogus transactions with the entities operating from this business premises*
d) *M/s Dolphin Overseas has made bogus transactions with Non GST Filer*
e) *You have made cash purchases in huge quantum, whose details have not been furnished by you, as claimed by you in your statement*
f) *The cash as per books of accounts is not found at your business premises*
g) *Huge mismatch between the purchase register and sales register in F.Y. 2019-20.*
h) *The closing stock as on 17.02.2020 as per the books of accounts is not physically found in the premises.*
i) *No employee is under the payroll of M/s Dolphin Overseas*
j) *No ware house existing in the name of M/s Dolphin Overseas*
k) *Cash payments are made to the Transporters as claimed by you*

Please comment.

Ans: *Sir, I would like to take this opportunity to say that M/s Dolphin Overseas is not engaged in the genuine business activity and it is just issuing accommodation entries of purchases to M/s Sudal Industries Ltd and other entities on their request. I earn commission @ 2% on the sale value.*

Please go through the above statement and confirm.

s: I confirm that my proprietary concern M/s Dolphin Overseas is not engaged in any genuine business activity and it is just issuing accommodation entries to M/s Sudal Industries Ltd and other entities for commission @ 2% on sale value.

6.12 As clear above, there is no employee , no warehouses, no physical closing stock, no cash as per books of account in the case of M/s Dolphin Overseas, and it's a mere paper entity. Purchase done by this entity for subsequent sale to assessee M/s Sudal Industries Ltd was also proved to be bogus which establishes sales made to the assessee company bogus.

Q.16 Please specify the complete details of concerned person of M/s Sudal Industries Ltd, who is in touch with you for dealing the accommodative transactions as deposed by you.

Ans: Mr Shirish Raut, Purchase Manager of M/s Sudal Industries Ltd is the concerned person. His contact number is 9223192845. All the transactions executed over mobile phone only.

6.13 The details of the contact person to issue bogus invoice is also given .

M/s Dolphis overseas was recording purchases from similar paper entities as stated under :

Further the paper entity reported below bogus purchases .

Q.10 Can you please specify the names of the parties, to whom, you have issued accommodation entries of 'purchases'.

Ans: In F.Y. 2018-19, I have issued accommodation entries to the tune of Rs.3,74,50,356/- and the details are as under: -

Sr. No.	Name of the entity	PAN	Amount (Rs.)

In F.Y. 2019-2020, I have issued accommodation entries to the tune of Rs.24,76,91,812/- and the details are as under: -

Sr. No.	Name of the entity	PAN	Amount (Rs.)
1	M/s Sudal Industries Ltd	AAACS0705K	18,22,25,889

6.14 She again confirmed that entity is issuing bogus invoices for commission.

Q.11 Can you please confirm that you have issued accommodation entries to the above entities?

Ans: Yes, I do confirm that the sales made by me in my proprietary concern M/s Dolphin Overseas are only accommodation entries. There is no genuine business activities. All these transactions are carried out for a commission of 2%. The commission earned by me has not been disclosed in the income tax returns. I am ready to pay taxes on the commission income received by me in lieu of accommodation entries issued by me.

6.15 Further the proprietor admitted that this statement is not given under any threat or coercion.

Q.27 Do you want to say anything else?

Ans: No

Whatever stated above is true and correct to the best of my knowledge and belief. The above statement is given by me voluntarily, without any force, threat, coercion, any inducement, promise, or any other undue influence was brought to bear on me. I further affirm that oath was administered to me before recording the statement. I have read the above statement and confirm that it has been correctly recorded as per my say.

Before Me | **Deponent**

12/3/20 | 12/3/2020

(Prathap Singh Bhukya)
DDIT, Unit-5(1), Mumbai

PRATHAP SINGH BHUKYA
आयकर उप निदेशक (अन्वे.), यूनिट-5(1),
Dy. Director of Income Tax (Inv.), Unit-5(1)
मुंबई / Mumbai

(Prima Pradeep Mhatre)

6.16 As admitted, 5 entities are operating from the same office.

Q.12 How many concerns are operating from this premises?

Ans. The following entities are operating from these premises

S. No	Entity Name	Proprietor Name	PAN
1	Dolphin Overseas	Prima Pradeep Mhatre	AJFPM4268C
2	Prime Overseas	Sanjeev Ramnath Singh	AULPS2114E

18.02.2020

तनय शर्मा, भा.रा.से.
Tanay Sharma, I.R.S.
आयकर उप निदेशक (अन्वे.) एकक-5(3),
Dy. Director of Income Tax (Inv.) Unit-5(3),
मुंबई / Mumbai

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Q.13 It is stated by your accountant Shri Sudhir Jadhav that the following entities are also operating from this premise:

S. No	Entity Name	Proprietor Name	PAN
1	N.D. Enterprises	Nagesh Dubey	AHRPD0292K
2	Puran Enterprises	Vishal Pandey	AVXPP2253J
3	Nesa Global	Sheetal Jadhav	AFYPD0292K

Please explain how the above mentioned other three entities are operating and what is the business relation with your entity. Also explain whether the above-mentioned entities are paying any rent to you?

Ans. They are not paying any rent to me, since my accountant Shri Sudhir Jadhav maintains the tally software well, they are taking help of him to maintain their books of accounts and I have no problem that Shri Sudhir Jadhav maintains the accounts of theirs.

6.17 Proprietor of M/s Dolphin Overseas has also admitted she does not have any documents in support of cash purchases nor does she main books for the same.

Q.24 It is noticed from the bank statement maintained by M/s. Dolphin Overseas that cash withdrawals are made in this financial year. In reply to the above questions, you have stated that cash withdrawn from the bank are utilized for making payments against the cash purchases made by M/s Dolphin Overseas. In this regard please furnish the complete documentary evidences for utilization of the cash withdrawn vis-à-vis payments made to parties for cash purchases.

Ans. I don't have any documentary evidences to prove that the cash withdrawn by me has been utilized for making cash payments against the cash purchases. I never insisted for any invoice from the party from whom, we purchased material and they never issued any kind of receipt for the cash payments made by me.

Q.25 Do you maintain any kind of register or any electronic storage device to store the data of cash purchases as well as the cash payments made against such purchases.

Ans. No I don't maintain any kind of register or any electronic storage device to store the data of cash purchases as well as the cash payments made against such purchases. I don't even enter the details of cash purchases in Tally.

6.18 She also does not have substantiating documents for the purchases by them

Nesa Global and M/s. Puran International.

Q.28 Please furnish the e-way bills, LRs, Weighment Slips for the purchases made by you from these entities.

Ans. I do not have any e-way bills, lorry receipts and delivery challans for the purchases made from the above entities. I merely taken the entries from these entities in order to match the sales turnover declared in the P & L A/c.

18.02.2020
तनय शर्मा, भा.रा.से.
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आयकर उप निदेशक (अन्वे.) यूनिट-5(3),
Dy. Director of Income Tax (Inv.) Unit-5(3)

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She also admitted that Sanjeev Singh , M/s Prime Overseas helps to do the business of accommodation entries.

Q.33 What is the business relation between M/s. Dolphin Overseas and M/s. Prime Overseas?

Ans. M/s. Dolphin Overseas and M/s. Prime Overseas are business associates, as guided by our CA Mr. Shyam Wartikar we distributed some parties in both the entities, however as we both are engaged i.e., me and Mr. Sanjeev Ramnath Singh I left the entire business related decisions on him as far as purchase is concerned, therefore, Mr. Sanjeev R Singh will be able to give better answer to this question.

Q.34 It is noticed from the purchase register of M/s. Dolphin Overseas that you had booked purchases to the tune of more than Rs. 81,00,000/- from M/s. Prime Overseas during March 2019. It is further noticed that from the books of accounts of M/s. Dolphin Overseas maintained in tally application there are neither any sales nor any purchases made by you for F.Y 2018-19. Please explain.

Ans. When I need few entries to cover up the cash purchases and in order to tally the accounts, in the month of March, 2019, I made request to Shri Sanjeev Singh of M/s Prime Overseas to issue few invoices favouring M/s Dolphin Overseas

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INCOME TAX DEPARTMENT

Q.44 It is further noticed that there are purchase transactions from M/s Prime Overseas in the books of M/s Dolphin Overseas in F.Y. 2019-2020 also. Please explain the nature of the transactions entered into with M/s Prime Overseas in the light of reply to Q. No. 34.

Ans: The invoices issued by M/s Prime Overseas in the name of M/s Dolphin Overseas are just the entries and no material were actually changed hands between these two concerns.

6.19 M/s Dolphin Overseas was not able to explain how she can record sales of Rs 17 cr to assessee company when her purchases are only for Rs 97 Lakhs

Q.39 As can be seen from the replies to the above questions, you have stated that the purchases from M/s Vista Corporation, M/s Northstar Metal Alloys, M/s Tirupati Metal Art are admitted to be genuine, whereas in response to the above question, you have stated that the sales made to M/s Sudal Industries

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Ltd are genuine. The quantum of total purchases from these three parties are Rs.92,08,392/- and the total quantum of total sales to M/s Sudal Industries Ltd are Rs17,88,28,244/-. When you don't have sufficient evidences to prove that purchases indeed have been made, how can you claim that the sales made to M/s Sudal Industries Ltd at Rs.17,88,28,244/- as genuine. Please comment.

She merely stated that she has copies of e-way bill. It shows that the assessee company made sure proper documentation for all bogus purchases.

6.20 M/s Dolphin Enterprises was further asked to clarify the issue of bogus purchase entry she has made in her Tally from One M/s Ishan Enterprises

Q.41 Although you are claiming that you got the documentary evidences like correspondence, invoice, e-way bill etc., it is required to note when the stock is not available in your hand or purchases are not made, you can't make any sales. This finding supported to the facts of your case as discussed in Q. No. 39 above. Therefore, please comment as to why the genuine sales to M/s Sudal Industries Ltd should not be restricted to the extent of genuine purchases as admitted by you at Rs.92,08,392/-.

Ans: I cannot comment anything.

Q.42 It is noticed that M/s Ishan Enterprises, who has provided to M/s Dolphin Overseas, a purchase of Rs.11,17,33,762/- has not filed GST return since April, 2019, whereas you have shown purchases in the same F.Y. Please comment.

Ans: I do agree that M/s Ishan Enterprises has not filed GST return since April, 2019. I want to submit that I don't have the supporting evidences like e-way bill, purchase order, weighment slips etc., We have taken the entries of purchase in lieu of our cash purchases.

She admitted taking accommodation entry for her purchases from M/s Ishan Enterprises.

6.21 She further admitted that none of her supplies and M/s Dolphin Enterprises itself do not meet GST compliance requirements and admitted all her transactions are accommodation entry.

Q.45 I am giving you an opportunity to Login into GST website and please confirm that the purchase transactions executed by M/s Dolphin Overseas with M/s. N.D. Enterprises, M/s Ishan Enterprises, M/s. Nesa Global and M/s. Puran International are reflected in GSTR-2A of M/s Dolphin Overseas.

Ans. I have consulted my accountant and it is gathered that the above four entities are not complying with the requirement of filing GST monthly returns and therefore, the transactions entered into with the above-mentioned parties are not reflecting in my GSTR-2A.

Q.46 Please furnish the e-way bills, LRs, Weightment Slips for the purchases made by M/s Dolphin Overseas from these entities.

Ans. I do not have any e-way bills, lorry receipts and delivery challans for the purchases made from the above entities. I merely taken the entries from these entities in order to match the sales turnover declared in the P & L A/c.

6.22 Cash as per books amounting to Rs 7.3 Cr was not available at the time of survey.

Q.47 As per cash book of M/s. Dolphin Overseas as on date, the cash balances available with the entity is Rs.7,32,24,807/-, whereas the physical cash found available at the premises of Rs.25,800/- only. Please explain the discrepancy in the cash found.

Ans: I confirm that the cash of Rs.25,800/- is found in this business premises and the same belongs to M/s. Dolphin Overseas. As regards the discrepancy to the tune of Rs. 7,31,99,007/- is concerned, as stated above, we made cash purchases from different parties and we made cash payments to them against the cash purchases but these cash purchases are not recorded in the books of accounts of M/s Dolphin Overseas.

6.23 Ms Prima Pradeep further admitted that she is engaged in accommodation entry business.

25

Ans: Sir, I would like to take this opportunity to say that M/s Dolphin Overseas is not engaged in the genuine business activity and it is just issuing accommodation entries of purchases to M/s Sudal Industries Ltd and other entities on their request. I earn commission @ 2% on the sale value.

Q.53 Do you want to say anything else?

Ans: It is humbly requested that I was unemployed since 2014 and was under financial and personal troubles. So whatever mistakes, I have done, it was due to the same. I confirm to pay my due taxes along with filing of return of income for F.Y. 2019-20 within the stipulated time. I request you to consider the matter sympathetically looking into my financial and personal troubles.

Whatever stated above is true and correct to the best of my knowledge and belief. The above statement is given by me voluntarily, without any force, threat, coercion, any inducement, promise, or any other undue influence was brought to bear on me. I further affirm that oath was administered to me before recording the statement. I have read the above statement and confirm that it has been correctly recorded as per my say.

Before Me

18.02.2020

(Tanay Sharma)
DDIT, Unit-5 (3), Mumbai

तनय शर्मा, भा.रा.से.
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Dy. Director of Income Tax (Inv.) Unit-5(3),
मुंबई/Mumbai

Deponent

18/02/2020

(Prima Pradeep Mhatre)

6.24 Mr Sanjeev Singh Propritor of M/s Prime Overseas also under oath concurred with the statement given by Ms Prima Pradeep and admitted that his entity is not into any genuine business.

Q.11 Can you please confirm that you have issued accommodation entries to the above entities?

Ans: Yes, I do confirm that the sales made by me in my proprietary concern M/s Prime Overseas are only accommodation entries. There is no genuine business activities. All these transactions are carried out for a commission of 2%. The commission earned by me has not been disclosed in the income tax returns. I am ready to pay taxes on the commission income received by me in lieu of accommodation entries issued by me.

Q.26 It is seen from the details obtained during the course of survey proceedings u/s 133A of the Act at your business premises that the party-wise sales are shown at Rs.31,28,50,357/- and the party-wise purchases are shown at Rs.19,93,19,317/-. Thus, there is a huge mismatch between these two components. Please comment.

Ans: As regards the mismatch is concerned, bills are yet to be obtained from the parties and the books are to be updated, for the reason which, huge difference is reflecting in the books of accounts. Few adjustments are also yet to be made in respect of the sale parties.

Q.27 Do you want to say anything else?

Ans: No

Whatever stated above is true and correct to the best of my knowledge and belief. The above statement is given by me voluntarily, without any force, threat, coercion, any inducement, promise, or any other undue influence was brought to bear on me. I further affirm that oath was administered to me before recording the statement. I

(PRATHAP SINGH BHUKYA) Dy. Director of Income Tax (Inv.), Unit-5(1), Mumbai

6.25 In view of the above, it is held that merely maintaining a proper paper trail and documentation alone can't prove a business transaction genuine. Here the parties which issued sale invoices to the assessee company are proved to be a paper entity without any warehouse, employees and without any genuine purchase.

6.26 Mere existence of proper documentation does not prove a transaction

genuine. Here both parties were colluding and issuing fake invoices, which was admitted by one party to the transaction. It is a very common practiceundertaken by business to generate unaccounted money for illegal purposes. Technically, it is possible to create an e-way bill for fake or bogus sales. This happens when fraudulent entities create a fake invoice (Part A) and dummy transport details (Part B) to show movement of goods that never actually existed to claim input tax credit (ITC) or evade taxes. The initial burden lies on the assessee to prove the identity, genuineness, and creditworthiness of the transacting party (Section 68). If the Revenue provides evidence of collusion or "paper-only" transactions as in the instant case, the onus shifts back to the assessee to prove his claims.

The discussions made above clearly indicate that the assessee has obtained accommodation entries for bogus purchases. Hence it is concluded that the assessee has made bogus purchases with M/s. Dolphin Overseas and M/s. Prime Overseas to the tune of Rs.18,22,25,889/- and Rs.2,25,78,639/- respectively.

7. Conclusion drawn:

7.1 In this case information has been shared by the DCIT, Central Circle, Mumbai that during the course of Survey proceedings at M/s. Dolphin Overseas (Prop: Ms. Prima Pradeep Mhatre, PAN: AJFPM4268C) and M/s. Prime Overseas (Prop: Mr. Sanjeev Ramnath Singh, PAN: AULPS2114E) on 18.02.2020., various statements were recorded and it is found that M/s Prime Overseas as well as M/s Dolphin Overseas have provided accommodation entries to different entities. From perusal of the information, it is noticed that M/s Sudal Industries Ltd. is one of the beneficiaries who have transactions with M/s Dolphin Oversease, and M/s. Prime Overseas and had incurred transactions to the tune of Rs. 2,25,78,639/- and Rs.18,22,25,889/- respectively during the F.Y. 2019-20.

7.2 The assessee was issued a show cause notice dated 12.03.2026 requiring it to explain as to why purchases amounting to Rs.2,25,78,639/- and Rs.18,22,25,889/-from M/s.Dolphin Overseas and M/s.Prime Overseas should not be treated as bogus.In response, the assessee produced copies of purchase bills, sales invoices for last two years, confirmation from a weigh bridge at Nasik, in regard to purchase from M/s. Dolphin Oversease and M/s. Pimeoversease.

7.3 The assessee opted for a Video Conference and the VC was on 19.03.2026.

The assessee explained there is no bogus purchase and the purchases made with Dolphin Overseas and Prime Overseas are genuine only. The assessee was asked to furnish the purchase bills of last year along with weigh bridge confirmations.

7.4 On examining the bank account statements of the assessee there were a number of substantial credits and debits with M/s.Dolphin Overseas and M/s. Prime Overseas as explained in sworn in statement taken from Ms. Prima Pradeep and Shri. Sanjeev R Singh. Also the company has reported a 25% of increase in purchase from M/s. Dolphin Overseas and 2.92% with M/s. Prime Overseas during the relevant year. It is concluded that the assessee has made bogus purchases to the tune of Rs.18,22,25,889/- from M/s. Dolphin Overseas and Rs. 2,25,78,639/-from M/s. Prime Overseas totaling to Rs. **20,48,04,528/-**

7.5 In this regard, reliance is placed on the judgment of the **Hon'ble Bombay High Court in the case of PCIT v. S.V. Jiwani**, wherein it has been held that where sales are accepted, only the profit element embedded in such bogus purchases can be brought to tax and not the entire purchase amount.In this regard, reliance is also placed on the decision of the Hon'ble Bombay High Court in the case of **PCIT v. Ashwin Purshotam Bajaj,** wherein it has been held that as AO had not doubted sales made by the assessee against the purchases, therefore, entire purchases could not be held as bogus and, therefore, addition was restricted to the gross profit at 12.5% embedded in the impugned purchases .

7.6 Respectfully following the judicial precedents cited above and having regard to the facts and circumstances of the case, this Assessment Unit has examined the purchases reported by the assessee. It is observed that, based on the prevailing net profit margin in similar businesses dealing with Aluminium Extrusion industry, the reasonable percentage of profit ranges between 5% and 15%. Accordingly, the net profit is estimated at 10% of the bogus purchases amounting to Rs.2,04,80,452/-,(10% of . **20,48,04,528**)which is hereby **added to the total income of the assessee**. In view of the under-reporting of income and misreporting thereof, **penalty proceedings under section 270A(9)** of the Income Tax Act are also **initiated** against the assessee.

(Addition: Rs.2,04,80,452/-)

7.7 Since the facts of the present case are materially similar, and respectfully following the decision, the issue is decided on the same lines. Thus, an amount of Rs. **2,04,80,452**/- is disallowed and added back to the total income of the assessee. Penalty proceedings u/s 270A(9) is initiated. The assessment is completed under section 144 r.w.s147r.w.s 144B of the Income Tax Act, 1961.

8. Final Computation of Taxable Income :-

	Amount in Rs.
Total income as per ROI filed in response to Notice u/s.148	0
Addition made as per para 7.6	**2,04,80,452**/-
Current year loss set off	**2,04,80,452**/-
Total Income	**0**
Total loss for carry forward	(-)**7,61,38,268**/-
Turnover for computation u/s115JB	(-)**26,89,39,403/-**

9. The assessment is completed under section 143(3) rws 147 r.w.s 144B of the Income Tax Act, 1961. Computation of income and demand notice u/s.156 is attached separately.

Charge interest u/s 234A/234B/ 234C as applicable. Penalty proceedings u/s 270A(9) for under reporting in consequence to mis-reporting of income, is initiated.

10. This order has been passed with the prior approval of the competent authority of Income tax Department.

Assessment Unit
Income Tax Department

Copy to:

Assessee

Assessment Unit
Income Tax Department

Digitally signed by ASSESSMENT UNIT, INCOME TAX DEPARTMENT,INCOME TAX DEPARTMENT
Date: 2026.03.28 16:33:59 IST