

आयकर अपीलीय अधिकरण "बी" न्यायपीठ पुणे में ।  
IN THE INCOME TAX APPELLATE TRIBUNAL "B" BENCH, PUNE

BEFORE SHRI ANIL CHATURVEDI, ACCOUNTANT MEMBER  
AND  
SHRI S.S. VISWANETHRA RAVI, JUDICIAL MEMBER

आयकर अपील सं. / ITA No.1633/PUN/2016  
निर्धारण वर्ष / Assessment Year : 2008-09

Tata BlueScope Steel Ltd.,  
Plot No. 27, Survey No. 21,  
Wakadewadi, Shivaji Nagar,  
Pune – 411005

PAN : AACCB5628E

.....अपीलार्थी / Appellant

**बनाम / V/s.**

Addl. Commissioner of Income Tax,  
Range – 1, Pune

.....प्रत्यर्थी / Respondent

आयकर अपील सं. / ITA No.1634/PUN/2016  
निर्धारण वर्ष / Assessment Year : 2009-10

Tata BlueScope Steel Ltd.,  
Plot No. 27, Survey No. 21,  
Wakadewadi, Shivaji Nagar,  
Pune – 411005

PAN : AACCB5628E

.....अपीलार्थी / Appellant

**बनाम / V/s.**

Deputy Commissioner of Income Tax,  
Circle – 1(2), Pune

.....प्रत्यर्थी / Respondent

Assessee by : Shri Ronak Doshi  
Revenue by : Shri Alok Malviya

सुनवाई की तारीख / Date of Hearing : 13-01-2020

घोषणा की तारीख / Date of Pronouncement : 29-01-2020

**आदेश / ORDER****PER S.S. VISWANETHRA RAVI, JM :**

These two appeals by the assessee against the common order dated 06-04-2016 passed by the Commissioner of Income Tax (Appeals)-5, Pune [‘CIT(A)’] for assessment years 2008-09 and 2009-10, respectively.

2. Shri Ronak Doshi, the ld. AR submits that the issues raised in both the appeals are similar based on same identical facts and prayed to take up the facts in ITA No. 1633/PUN/2016 for the A.Y. 2008-09 as a lead case. With the consent of both the parties, we proceed to hear both the appeals together and pass consolidated order for the sake of convenience.

3. We shall first take up the appeal in ITA No. 1633/PUN/2016 for A.Y. 2008-09.

4. Ground Nos. 1 to 4 raised by the assessee challenging the action of CIT(A) in confirming the disallowance of Rs.1,34,53,240/- on account of provision made for slow moving inventory in the facts and circumstances of the case.

5. The brief facts of the case are that the assessee is a Public Limited Company, a Joint Venture between Tata Steel Limited, India and BlueScope Steel Limited, Australia. It is being called as Tata BlueScope Steel Ltd. The assessee filed return of income through online declaring a total loss of Rs.32,61,18,210/-. Under scrutiny assessment proceedings, the AO asked the assessee to file details of provision made for slow moving stock to extent of Rs.1,34,53,240/-, questioned the basis on which the

provisions have been made and how it is an allowable expenditure. The assessee submitted its reply by stating that the provisions have been made on the basis of past experience. The AO did not find the submissions of assessee as acceptable and observed that the assessee did not file any documentary evidence in support of its claim and rejected the submissions of assessee and proceeded to disallow the above said amount vide its order dated 23-12-2011.

6. Before the CIT(A) in First Appellate proceedings, it was contended that the assessee procures raw material with specific colors based on estimated demand from the customers and found no demand for certain colours. The assessee identified raw material in the Blue Ridge, Off White, Surfmist, Torres Blue, Toba Blue as non-moving and 25% of the cost of the same has been provided being non-realizable. Further, it was submitted that the said raw material has been used in the subsequent period and reduction in cost while doing valuation is made per the accepted accounting standard and method of valuation of inventory at lower of cost or net realizable value and similar adjustment is made to opening value of inventory. The reduction in value is charged to consumption of materials. Further, we note that the assessee has given detailed submissions which are reflected from page No. 17 of impugned order. The CIT(A) considering the submissions and case laws observed that provision for slow moving stock is an allowable deduction but however in the absence of any documentary evidence confirmed the view of AO. Before us, the ld. AR filed paper book-Vol. 1 containing 1 to 100 pages and another paper book-Vol.-II containing 1 to 66 along with the application under Rule 29 of the Income Tax Appellate Tribunal Rules, 1963 for admission of additional evidence.

7. Shri Alok Malviya, the ld. DR vehemently opposed the application under Rule 29 and argued the information provided in support of assessee's claim were not before the authorities below and prayed not to admit the additional evidence filed by the assessee and relied on the order of CIT(A).

8. Heard both parties and perused the material available on record. We note that the Schedule E forming the inventory is at page No. 14 of the paper book wherein the value of raw material and components taken at lower of cost or net realizable value of Rs.73,64,63,448/- as on 31-03-2008. Accounting policy for inventory is at page No. 88. The inventory includes raw material and consumables. Raw materials refers to acquired products and consumable refers to inventories that will be utilized in the production process. Accordingly, the assessee's accounting policy that the raw materials and consumables were valued at lower of cost or net realizable value. The net realizable value of inventory is, to be calculated as the estimated proceeds of sale, less, where applicable, all further costs to the stage of completion and all costs to be incurred in marketing, selling and distribution to customers, excluding general and administrative expenses. The NRV is to be assessed against the ultimate selling price of a completed product. The raw materials used to produce finished goods and related work-in-progress inventories carried at greater than their own NRV. On perusal of the trend analysis of sale price of finished goods for F.Ys. 2007-08 (A.Y. 2008-09), 2008-09 (A.Y. 2009-10) and 2009-10 (A.Y. 2010-11) which is at page 47 of the paper book, clearly shows that the sale price of finished goods were less by percentages against five types of finished goods.

9. Admittedly, the evidences filed at Sl. No. 3 and 4 from pages 4 to 47 of the paper book were not before the AO or CIT(A). As discussed above the sample of invoices of subsequent sale of inventory it is seen that the price of inventory were down and therefore the subsequent sale of said inventory was under taken at a value which is around or lower than the amount at which the provision was made. Further, the trend analysis of finished goods for A.Ys. 2008-09, 2009-10 and 2010-11 clearly supports the claim of assessee and subsequent sales of inventories are lower than at 75% of which the provision was made. Considering the aforesaid facts, we are of the view that the AO was not justified in disallowing the claim made by the assessee. Thus, ground Nos. 1 to 4 are allowed.

**ITA No. 1634/PUN/2016, (A.Y. 2009-10)**

10. Both the sides are unanimous in stating that the facts and the grounds of appeal raised in ITA No. 1634/PUN/2016 is identical to the grounds raised in ITA No. 1633/PUN/2016. Thus, in view of the fact that the issue in the appeal is identical and is arising from same set of facts the findings given by us while adjudicating the appeal in ITA No. 1633/PUN/2016 would *mutatis mutandis* apply to the appeal in ITA No. 1634/PUN/2016, as well. Accordingly, the appeal of assessee is allowed.

11. In the result, both the appeals of assessee are allowed.

Order pronounced in the open court on 29<sup>th</sup> January, 2020.

Sd/-  
(Anil Chaturvedi)  
ACCOUNTANT MEMBER

Sd/-  
(S.S. Viswanethra Ravi)  
JUDICIAL MEMBER

पुणे / Pune; दिनांक / Dated : 29<sup>th</sup> January, 2020

RK

**आदेश की प्रतिलिपि अग्रेषित / Copy of the Order forwarded to :**

1. अपीलार्थी / The Appellant.
2. प्रत्यर्थी / The Respondent.
3. आयकर आयुक्त (अपील) / The CIT(A)-5, Pune
4. The Pr. Commissioner of Income Tax-4, Pune
5. विभागीय प्रतिनिधि, आयकर अपीलीय अधिकरण, "बी" बेंच,  
पुणे / DR, ITAT, "B" Bench, Pune.
6. गार्ड फ़ाइल / Guard File.

//सत्यापित प्रति// True copy //

आदेशानुसार / BY ORDER,

निजी सचिव / Private Secretary,  
आयकर अपीलीय अधिकरण, पुणे / ITAT, Pune