

IN THE INCOME TAX APPELLATE TRIBUNAL, DELHI 'A' BENCH,  
NEW DELHI [THROUGH VIDEO CONFERENCE]

BEFORE SHRI N.K. BILLAIYA, ACCOUNTANT MEMBER, AND  
MS. SUCHITRA KAMBLE, JUDICIAL MEMBER

ITA No. 4653/DEL/2016  
[Assessment Year: 2011-12]

Arcee Ispat Udyog Ltd  
7, K.M. Stone Talwandi Rana  
Distt Hisar, Haryana

Vs.

The A.C.I.T  
Hisar Circle  
Hisar

PAN: AABCA3462 C

[Appellant]

[Respondent]

Date of Hearing : 18.08.2020

Date of Pronouncement : 19.08.2020

Assessee by : Shri S. Krishnan Adv

Revenue by : Ms. Rakhi Vimal, Sr DR

**ORDER**

**PER N.K. BILLAIYA, ACCOUNTANT MEMBER:-**

This appeal by the assessee is preferred against the order of the  
ld. CIT(A), Hisar dated 25.07.2016 pertaining to A.Y 2011-12.

2. The solitary grievance of the assessee is that the Id. CIT(A) erred in confirming the assessee addition of Rs. 66,92,164/- made by the Assessing Officer as unexplained investment in stock and spares.

3. Briefly stated, the facts of the case are that the assessee is engaged in the business of manufacturing of black and galvanized steel tubes. During the course of scrutiny assessment proceedings, the Assessing Officer called for stock details as on 31.03.2011 from Punjab National Bank. These details were confronted to the assessee and the assessee was asked to reconcile the discrepancies in the stock position shown to the bank over that reflected in the account books.

4. In its reply, the assessee submitted that quantitative details of finished goods and raw materials as per books of account and bank statement are in agreement. It was explained that the value of stock and spares is given to the bank on estimated basis and it included all items of machinery, repair and maintenance, rolls, dyes etc which are otherwise included in the plant and machinery for balance sheet purposes.

5. The Assessing Officer examined the submissions of the assessee with the bank statements given by Punjab National Bank and found that various types of stocks as explained by the assessee have been tallied and found correct except for stock and spares.

6. Vide order sheet entry dated 21.01.2014, the assessee was asked to explain the variation in stock of stock and spares, to which the assessee explained that the value of stock of stores and spares given to the bank is on estimated basis and once again explained that all items of machinery, repair and maintenance, rolls, dyes etc., which are otherwise included in the plant and machinery for balance sheet purposes.

7. Explanation of the assessee did not find any favour with the Assessing Officer who was of the firm belief that the assessee has not disclosed its stock as on 31.03.2011 correctly.

8. Drawing support from the decision of the Hon'ble Madras High Court in the case of Coimbatore Spinning and Weaving Company Ltd 95 ITR 375, the Assessing Officer treated the difference in value

amounting to Rs. 66,92,164/- as unexplained investment in stock and accordingly, made the addition u/s 69A of the Act.

9. The assessee carried the matter before the Id. CIT(A) but without any success.

10. Before us, the Id. counsel for the assessee reiterated what has been stated before the lower authorities. It is the say of the Id. counsel for the assessee that even the Inspection Report of the Senior Manager of Punjab National Bank clearly shows that quantity and value given for the stock and stores agrees with the Borrowers Stock Register and system followed for valuation of stock and spares is as per the terms of sanction.

11. It is the say of the Id. counsel for the assessee that the lower authorities have grossly erred in not understanding the facts in true perspective. The Id. counsel for the assessee stated that though the stock of stores and spares have been given separately to the bank, but the same has been capitalised in the books of account under the head 'Plant and Machinery for Accounting Purposes'. It is the say of the Id.

counsel for the assessee that the difference is only on account of accounting treatment and there is no discrepancy whatsoever in the book stock and stock statement given to the bank.

12. Per contra, the ld. DR strongly supported the findings of the Assessing Officer. It is the say of the ld. DR that the onus was upon the assessee to reconcile the discrepancy and the assessee has grossly failed in doing the same.

13. We have given thoughtful consideration to the orders of the authorities below. At the very outset, we have to state that it is a usual practice of the borrowers to furnish inflated stock statement to the bank to cover up their cash credit limit which is invariably against the hypothecation of the stock. However, having stated that, all that we have to look upon is as to whether the books of account reflect true statement of affairs. The undisputed fact is that the Assessing Officer has not pointed out any defect in the books of account. The entire assessment is based upon the difference in the books stock and value of stock given to the Punjab National Bank.

14. It is not the case of the Revenue that the assessee has not accounted for certain purchases and is having excess stock than what is shown in its books of account. Moreover, the Assessing Officer has not denied that the assessee has capitalised stock of stores and spares to the plant and machinery. It appears that the stock of stores and spares which have been shown to the bank are reflected in the books of account under the head 'Plant and Machinery' as the same were capitalised.

15. We have carefully gone through the financial statements brought on record in the form of paper book. We find force in the contention of the ld. counsel for the assessee. The value of stock and spares is found to be capitalised in the plant and machinery and, therefore, the same could not have been found in the closing stock shown in the books of account.

16. Except for this, there is no evidence brought on record to suggest that the assessee has made investment in its stocks outside the books of account. Considering the totality of the facts, we are of the considered view that the provisions of section 69A of the Act do not

have any application on the facts of the case in hand. We, accordingly, direct the Assessing Officer to delete the addition of Rs. 66,92,164/-.

17. In the result, the appeal of the assessee in ITA No. 4653/DEL/2016 is allowed.

**The order is pronounced in the open court on 19.08.2020.**

**Sd/-**

**[SUCHITRA KAMBLE]  
JUDICIAL MEMBER**

**Sd/-**

**[N.K. BILLAIYA]  
ACCOUNTANT MEMBER**

Dated: 19<sup>th</sup> August, 2020

VL/

Copy forwarded to:

1. Appellant
2. Respondent
3. CIT
4. CIT(A)
5. DR

Asst. Registrar,  
ITAT, New Delhi

Date of dictation	
Date on which the typed draft is placed before the dictating Member	
Date on which the typed draft is placed before the Other Member	
Date on which the approved draft comes to the Sr.PS/PS	
Date on which the fair order is placed before the Dictating Member for pronouncement	
Date on which the fair order comes back to the Sr.PS/PS	
Date on which the final order is uploaded on the website of ITAT	
Date on which the file goes to the Bench Clerk	
Date on which the file goes to the Head Clerk	
The date on which the file goes to the Assistant Registrar for signature on the order	
Date of dispatch of the Order	