

**IN THE INCOME TAX APPELLATE TRIBUNAL**  
**Hyderabad ‘ A ‘ Bench, Hyderabad**  
*(Through Video Conferencing)*  
**Before Smt. P. Madhavi Devi, Judicial Member**  
**AND**  
**Shri D.S. Sunder Singh, Accountant Member**

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| ITA No.1921/Hyd/2018   |                         |  |
| Assessment Year: 2014-15                                       |                         |  |
| M/s. Value Labs<br>Technologies<br>Hyderabad<br>PAN:AAIFV6716G | Vs.                     | Asstt. Commissioner of<br>Income Tax, Circle 8(1)<br>Hyderabad |
| (Appellant)  |                         | (Respondent)   |
| Assessee by:   | Sri P. Murali Mohan Rao |  |
| Revenue by:  | Smt. Anjali Sahu, DR    |  |
| Date of hearing:   | 1/09/2020               |  |
| Date of pronouncement:   | 04/09/2020              |  |

**ORDER**

**Per D.S. Sunder Singh, A.M.**

This is assessee's appeal for the A.Y 2014-15 against the order passed u/s 143(3) r.w.s. 144C of the I.T. Act. The ITAT decided the appeal originally by an order dated 12.06.2019 in ITA No.1921/Hyd/2018. Subsequently, the assessee filed a Miscellaneous application stating that ground No.2.1 was not decided by the ITAT. Therefore, in M.A., the order dated 12/06/2019 was recalled to decide ground No.2.1 which reads as under:

*"2. Erred in making an addition relating to Arm's Length Price Adjustment of Rs.8,47,788/- towards interest on receivables from AE's.*

*2.1 The learned TPO/AO/DRP erred in not appreciating the fact that the assessee is a debt-free company, and does not bear any interest risk. Accordingly, assessee does not charge any interest*

*on receivables, as it does not bear any liability for interest payments to its creditors/payables. In support we place reliance on the Apex Court's decision in the case of Pr. CIT -2 vs. M/s. Bachtel India Pvt. Ltd (SC)."*

2. When we took up the appeal, the learned AR submitted that the TPO has made the adjustment of Rs.8,47,788/- towards interest on receivables which was not adjudicated by the ITAT in the original appeal. He further submitted that the assessee is following TNMM method and had interest free funds in the system. The delay in receivables was less than 70 days as against the industry average of 90 to 120 days. He further argued that in the TNMM method, the profit margin of the assessee is more than comparable and it is at ALP. Therefore, argued that no adjustment is required in respect of interest on receivables, and hence requested to delete the addition. The assessee also relied on the decision of this Tribunal in the assessee's own case for the A.Y 2013-14 in ITA No.1909 & 1910/Hyd/2017, dated 9<sup>th</sup> July, 2020.

2.1 The learned AR further submitted that on identical facts ITAT, Vizag in the case of GVK Power & Infrastructure Ltd reported in 94 Taxmann.com 415 also decided the issue in favour of the assessee with regard to charging interest on receivables. Therefore, requested to set a side the order of the Ld.CIT(A) and delete the addition made by the AO.

3. On the other hand, the learned DR heavily placed reliance on the TPO/DRP orders.

4. We heard both parties and perused the material placed on record. The assessee is following the TNMM method and there is no dispute with regard to the method followed by the assessee. The TPO has made economic analysis and given a finding that no adjustment is required and the transactions were at ALP. On going through the order of the learned TPO, though it was stated that there were outstanding trade receivables to the extent of Rs.6,09,86,954/- the TPO has not given any finding on the No.of days delay in receivables. As submitted by the learned AR, the delay was less than 90 days and the industry acceptable period of average is 90 days. The Coordinate Bench of the ITAT in assessee's own case for the A.Y 2013-14 has taken view that no adjustment is required if the delay is between 90 to 120 days. For the sake of convenience, we extract Paras 11 and 12 in Page No.10 of the order of this Tribunal for the A.Y. 2013-14 in ITA No.1909 & 1910/Hyd/2017, dated 9<sup>th</sup> July, 20202019 (cited Supra) which reads as under:

*"11. The assessee during the year under consideration had not availed any loan from AEs or unrelated third parties and was not incurring any interest cost. The agreement between the assessee and its AE vis-à-vis terms of payment within stipulated period of 90 days cannot form basis for holding the existence of International transaction between assessee and its AE, where outstanding is not received within stipulated period. Such is the proposition laid down by Hon'ble Delhi High Court in Pr. CIT-V vs Kusum Health Care Pvt.Ltd. (supra) especially where working capital adjustment has been allowed to assessee. In any case, the credit period of 90 days is less than credit period of 90 to 120 days of comparables and no adjustment is warranted.*

*12. In such facts and circumstances and following the ratio laid down by the Hon'ble Delhi high Court in Kusum Healthcare Ltd. (supra) and also in line with the findings of the Tribunal in M/s. Global Logic India Ltd.(supra), we find no merit in making any adjustment on account of interest due on receivable from its AE. The Ground of appeal No.3 raised by the assessee is thus allowed.*

5. Since the facts are identical, respectfully following the view taken by the Coordinate Bench in assessee's own case for the earlier A.Y2013-14 we hold that no adjustment is required and accordingly we, set aside the order of the DRP/AO and delete the addition made by the Assessing officer.

6. In the result, appeal of the assessee is allowed.

Order pronounced in the Open Court on 4<sup>th</sup> September, 2020.

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| <b>Sd/-</b><br><b>(P. MADHAVI DEVI)</b><br><b>JUDICIAL MEMBER</b> | <b>Sd/-</b><br><b>(D.S.SUNDER SINGH)</b><br><b>ACCOUNTANT MEMBER</b> |
|---|--|

Hyderabad, dated 4<sup>th</sup> September, 2020.

**Vinodan/sps**

Copy to:

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- 3 DRP-1 Bengaluru
- 4 CCIT(IT) (SZ) Bengaluru
- 5 Pr. CIT-2, Hyderabad
- 6 ITO Ward 8(1) Hyderabad
- 7 The DR, ITAT Hyderabad
- 8 Guard File

*By Order*