

**IN THE INCOME TAX APPELLATE TRIBUNAL  
HYDERABAD 'B' BENCH : Hyderabad**

**Before Smt. P. Madhavi Devi, Judicial Member  
And  
Sri A. Mohan Alankamony, Accountant Member**

*(Through Video Conference)*

**ITA No. 890/Hyd./2018  
Assessment Year: 2012-13**

**ITA No. 891/Hyd./2018  
Assessment Year: 2014-15**

**ITA No. 892/Hyd./2018  
Assessment Year: 2015-16**

M/s Covalent Laboratories Pvt. Ltd.  
Hyderabad

vs. Dy. Commissioner of Income Tax,  
Circle 1(2), Hyderabad

PAN: AABCC 9544R

**(Appellant)**

**(Respondent)**

**For Assessee:** Sh. S. Rama Rao, A.R.

**For Revenue:** Sh. Y.V.S.T. Sai, CIT, D.R.

**Date of Hearing** : 03/11/2020

**Date of Pronouncement** : 24/11/2020

**ORDER**

**Per Smt. P. Madhavi Devi, J.M.**

All these are assessee's appeals for the AYs 2012-13, 2014-15 & 2015-16 respectively against the separate orders of Ld.CIT(A)-1, Hyderabad dated 19.12.2017.

All these appeals of the assesseees were taken up for hearing on 03<sup>rd</sup> November, 2020 through video conferencing and both the parties were heard.

**2.** Brief facts of the case are that the assessee company, engaged in the business of manufacturing of bulk drugs and Active Pharmaceutical Intermediates (API), e-filed its return of income for the relevant A.Ys. A survey u/s 133A of the Income Tax Act, 1961 (the Act for short) was conducted on 29.09.2015 in the case of the assessee. Based on the discrepancies in the accounts of the assessee company and incriminating material found during the course of survey and post survey investigation, the assessment was reopened u/s 147 of the Act by issuance of a notice u/s 148 on 18.05.2016. During the re-assessment proceedings the AO disallowed R&D expenses, under-reported consignment sales and also commission expenses paid to one Mr.Ferooz Tejarath. The AO also observed that during the relevant AY, the assessee company has made investments from which assessee had earned dividend income which has been claimed as exempt. The AO therefore made a disallowance u/s 14A of the Act.

**2.1.** Aggrieved, the assessee preferred an appeal before the CIT(A), who partly allowed the appeal and assessee has filed appeal before the Tribunal against the validity of the re-assessment proceedings u/s 147 of the Act and also confirmation of the disallowance of

commission paid to Mr.Ferooz Tejarath and disallowance made u/s 14A of the Act. For the A.Ys 2014-15 and 2015-16, the AO had further disallowed the difference between the trade receivables as disclosed in the return of income filed by the assessee and the trade receivables shown by the debtors.

**2.2.** At the time of hearing, both the parties brought to our notice that in the intervening period i.e. AY 2013-14 in the assessee's own case, the appeals of both the assessee as well as the Revenue have come up before the Tribunal and the Co-Ordinate Bench of the Tribunal had set aside all the issues to the file of the AO for re-examination and reconsideration in accordance with law. A copy of the said order dated 11.9.2020 in ITA no.1022/H/2017 and ITA 869/Hyd//2017 is filed before us.

**2.3.** On going through the same, we find that : (a) with regard to Research & Development expenses, the assessee had filed additional evidence and that the CIT(A) has deleted the addition without calling for a remand report from the AO, and, therefore, the issue was set aside to the file of AO for re-examining the issue.

(b) With regard to issue of difference between the trade receivables as disclosed in the return of income filed by the assessee and the trade receivables shown by the debtors as per their books of accounts, the assessee has filed re-conciliation statement and, therefore, the issue was set aside to the AO file of the for verification.

(c) Similarly with regard to disallowance made u/s 14A, the matter was remanded to the file of AO with a direction to verify whether assessee had advanced interest free funds to its group concerns.

(d) With regard to commission paid to Mr. Ferooz Tejarath, the assessee has filed evidence and filed copies of invoices which had not been examined by the AO and the CIT(A). Therefore, this matter also was remitted to the file of AO for de-novo consideration.

**2.4.** Since the facts and circumstances in the appeals before us are similar, for the detailed reasons given in order of the Tribunal dated 11.09.2020, for the ay 2013-14, all these appeals are also remitted to the file of AO for de-novo consideration in accordance with the decision of the Tribunal after giving an opportunity of being heard to the assessee.

**3.** In the result, all these appeals of the assessee are treated as allowed for statistical purposes.

Pronounced on 24<sup>th</sup> November, 2020.

Sd/-

**(A. MOHAN ALANKAMONY)**  
**ACCOUNTANT MEMBER**

Sd/-

**(P. MADHAVI DEVI)**  
**JUDICIAL MEMBER**

Dated: 24<sup>th</sup> November, 2020.

**\*gmv**

Copy of Order forwarded to:

1. M/s Covalent Laboratories P Ltd., H.No. 8-3-677/18, 2<sup>nd</sup> floor, SKD Nagar, Yellareddyguda, Hyderabad 500 073.
2. DCIT, Circle 1(2), Hyderabad .
3. CIT(A) -1, Hyderabad
4. Pr.CIT -1, Hyderabad
5. The D.R. ITAT Hyderabad
6. Guard File