

**IN THE INCOME TAX APPELLATE TRIBUNAL 'H' BENCH,  
MUMBAI**

**BEFORE: SHRI VIKAS AWASTHY, JUDICIAL MEMBER  
&  
SHRI M.BALAGANESH, ACCOUNTANT MEMBER**

**ITA No.5170/Mum/2019  
(Assessment Year :2012-13)**

M/s. Hanjer Fibres Limited Shalimar House 335, Grant Road, Mumbai -400007	Vs.	DCIT-5(1)(2) 5 <sup>th</sup> Floor, Aayakar Bhavan Mumbai – 400 020
<b>PAN/GIR No.AAACH1003M</b>		
<b>(Appellant)</b>	..	<b>(Respondent)</b>

Assessee by	Ms. Neelam Jadhav
Revenue by	Ms. Bharati Singh
<b>Date of Hearing</b>	<b>17/03/2021</b>
<b>Date of Pronouncement</b>	<b>21/04/2021</b>

**आदेश / ORDER**

**PER M. BALAGANESH (A.M):**

This appeal in ITA No.5170/Mum/2019 for A.Y.2012-13 arises out of the order by the Id. Commissioner of Income Tax (Appeals)-10, Mumbai in appeal No.CIT(A)-10, Mumbai/10671/2015-16 dated 31/05/2019 (Id. CIT(A) in short) against the order of assessment passed u/s.143(3) of the Income Tax Act, 1961 (hereinafter referred to as Act) dated 13/03/2015 by the Id. Dy. Commissioner of Income Tax-5(1)(2), Mumbai (hereinafter referred to as Id. AO).

2. The only issue to be decided in this appeal is as to whether the Id. CIT(A) was justified in confirming the addition made on account of revaluation of stock in the sum of Rs.32,42,105/- in the facts and circumstances of the instant case.

3. We have heard rival submissions and perused the materials available on record. We find that assessee is manufacturer of low count cotton yarn and cotton waste. Due to non-viability of the unit, the assessee has discontinued its business activities. The return of income for the A.Y.2012-13 was filed by the assessee on 24/08/2012 declaring total losses of Rs.1,26,11,102/-. The Id. AO in the course of assessment proceedings observed that on perusal of the profit and loss account of the assessee, the assessee has shown re-valuation of stock amounting to Rs.32,42,105/-. The explanation given by the assessee with regard to the same was not found satisfactory by the Id. AO and accordingly, the sum of Rs.32,42,105/- was sought to be added by the Id. AO in the assessment on account of re-valuation of stock. We find that assessee company has valued its closing stock of raw materials and finished goods at the lower of cost or net realizable value. Pursuant to this valuation, it had resulted in reduction in value of stock to the tune of Rs.32,42,105/- which was claimed as expenses by the assessee. In other words, the closing stock of raw materials and finished goods was reflected at the reduced value which had resulted in increase in loss for the year. We find that the assessee had pleaded that the method of valuation adopted by it was in consonance with Indian Accounting Standard – 2 on “Inventories” issued by the Institute of Chartered Accountants of India (ICAI) which is mandatorily to be followed by the assessee. It was also brought to the notice of the Id. CIT(A) by the assessee that the same issue had cropped up in assessee’s own case for A.Y.2014-15 and the Id. AO had not made

any disallowance on account of stock in A.Y.2014-15. We find that assessee has been consistently following the same method of accounting for valuation of inventories in earlier as well as subsequent years. We find that the lower authorities had grossly erred in not understanding the accounting practice followed by the assessee for valuation of inventories which is normally accepting accounting practice prevailing in India. We do not find any infirmity in the valuation method adopted by the assessee which has resulted in claim of expenses in the sum of Rs.32,42,105/- due to valuation of stock at lower of cost or net realizable value. Accordingly, the grounds raised by the assessee are allowed.

**4. In the result, appeal of the assessee is allowed.**

Order pronounced on 21/04/2021 by way of proper mentioning in the notice board.

Sd/-  
**(VIKAS AWASTHY)**  
JUDICIAL MEMBER

Sd/-  
**(M.BALAGANESH)**  
ACCOUNTANT MEMBER

Mumbai; Dated 21/04/2021  
KARUNA, *sr.ps*

**Copy of the Order forwarded to :**

1. The Appellant
2. The Respondent.
3. The CIT(A), Mumbai.
4. CIT
5. DR, ITAT, Mumbai
6. Guard file.

//True Copy//

BY ORDER,

(Asstt. Registrar)  
ITAT, Mumbai