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**IN THE INCOME TAX APPELLATE TRIBUNAL
Hyderabad 'A' Bench, Hyderabad**

**BEFORE SHRI LALIET KUMAR, JUDICIAL MEMBER AND
SHRI MADHUSUDAN SAWDIA, ACCOUNTANT MEMBER**

□.□□□.□□ /ITA No.377/Hyd/2024
(□□□□□□□□ □□□□/Assessment Year:2014-15)

M/s. Salguti Industries Limited, Hyderabad, Telangana. PAN:AAKCS2452F	Vs.	Income Tax Officer, Ward-3(1), Hyderabad.
(Appellant)		(Respondent)
□□□□□□□□□□ □□□□□□/Assessee by:	Shri P. Murali Mohan Rao, C.A.	
□□□□□□ □□□□□□/Revenue by:	Shri B. Bala Krishna, CIT-DR	
□□□□□□ □□ □□□□□□/Date of hearing:	07/11/2024	
□□□□□□ □□ □□□□□□/ Pronouncement:	13/11/2024	

□□□□/ORDER

PER MADHUSUDAN SAWDIA, A.M.:

This appeal is filed by M/s. Salguti Industries Limited, Hyderabad (“the assessee”), feeling aggrieved by the order passed by the Learned Commissioner of Income Tax (Appeals), National Faceless Appeal Centre (NFAC), Delhi (“Ld. CIT(A)”), dated 28.03.2024 for the AY 2014-15.

2. The brief facts of the case are that the assessee is a company, engaged in the business of manufacturing of woven sack and grey cloth, filed its Return of Income for the A.Y. 2014-15 on 01.10.2014 admitting the total income of Rs.NIL. The case

of the assessee was selected for scrutiny and notice u/s.143(2) of the Income Tax Act, 1961 (“the Act”) was issued to the assessee on 28.08.2015. During the assessment proceedings, the assessee had produced before the Learned Assessing Officer (“Ld.AO”) ledgers, details of manufacturing expenses, transportation, staff welfare, ESI, PF, etc. However, the assessee could not produce other books of accounts and bills / vouchers related to the expenditure booked under various heads. Therefore, the Ld. AO rejected the book results and completed the assessment u/s.144 of the Act on 29.12.2016 by estimating income at 5% on the total receipts of Rs.1,22,77,31,434/- which works out to Rs.6,13,86,571/-.

3. Aggrieved with the order of Ld. AO, the assessee filed appeal before the Ld. CIT(A). The assessee filed the copy of all the books and bills / vouchers before the Ld. CIT(A). However, without considering the same, the Ld. CIT(A) dismissed the appeal of the assessee.

4. Aggrieved with the order of Ld. CIT(A) the assessee is in appeal before us. The Learned Authorised Representative (“Ld. AR”) submitted that the assessee could not produce all the books of accounts and bills / vouchers before the Ld. AO, but, the

ledger account containing the details of major head of expenditure were produced before the Ld. AO. However, without considering the submission of the assessee, the Ld. AO rejected the book results and estimated the profit at 5% of the total receipts. He further submitted that all the books of accounts and bills / vouchers were produced before the Ld. CIT(A). However, the Ld. CIT(A) without verifying the books of accounts and bills / vouchers produced before him, dismissed the appeal of the assessee. Therefore the Ld. AR submitted that the Ld. CIT(A) has dismissed the appeal without considering the same on merit, which is against the principle of natural justice. Consolidating all the grounds in the appeal, he prayed before the Bench that the case of the assessee should be heard on merits. He also prayed that as the books of accounts as well as bills / vouchers have not been verified at the end of Ld. AO, their case may be set aside to the file of Ld. AO for fresh consideration.

5. Per contra, the Learned Department Representative ("Ld. DR") relying on the order of revenue authorities submitted that the assessee failed to produce the necessary books of accounts and bills / vouchers before the Ld. AO. Therefore, the revenue authorities have rightly rejected the book results of the assessee

and estimated the net profit. He reiterated to uphold the order of Ld. CIT(A).

6. We have heard the rival contentions and also gone through the record in the light of the submissions made on either side. It could be seen from the orders of the Ld. AO that in spite of many opportunities given, the assessee failed to produce all the books of accounts and the bills/vouchers, which resulted in passing the orders on estimated basis without consideration thereof. However the assessee had produced all the books of accounts and bills / vouchers before the Ld. CIT(A), but, the Ld. CIT(A) without verifying the books of accounts and bills / vouchers produced before him, dismissed the appeal of the assessee. Therefore in our considered view the Ld. CIT(A) has dismissed the appeal without considering the same on merit, which is against the principle of natural justice. It is also a fact that the assessee does not stand to gain by not producing such books of accounts and bills / vouchers. Be that as it may, now the assessee is ready to produce all such books of accounts and bills / vouchers in support of his contentions and get the matter disposed of on merits. The highest that would happen by allowing an opportunity to the assessee is that a cause would be decided on merits. With this view of the matter, we are of the view

that fresh opportunity should be given to the assessee and, accordingly, we set aside the impugned order and restore the issue to the file of the Ld. AO for passing a fresh order on merits, after affording the opportunity of hearing to the assessee subject to payment of costs of Rs. 10,000/- (Rupees Ten Thousands only) in favour of Prime Minister National Relief Fund, which shall be payable within one month from the date of receipt of this order. Grounds of appeal are answered accordingly.

7. In the result, the appeal of the assessee is allowed for statistical purposes.

Order pronounced in the open Court on 13th Nov., 2024.

Sd/-

(LALIET KUMAR)
JUDICIAL MEMBER

Hyderabad.

Dated: 13.11.2024.

* Reddy gp

Sd/-

(MADHUSUDAN SAWDIA)
ACCOUNTANT MEMBER

Copy of the Order forwarded to :

1.	M/s. Salguti Industries Limited, C/o P. Murali & Co., C.As, 6-3-655/2/3, Somajiguda, Hyderabad-500082
2.	ITO, Ward 3(1), Hyderabad.
3.	Pr.CIT, Hyderabad.
4.	DR, ITAT, Hyderabad.
5.	Guard file.

BY ORDER,