

आयर अपीलिय न्यायाधिकरण में, हैदराबाद 'बी' बेंच, हैदराबाद
IN THE INCOME TAX APPELLATE TRIBUNAL
Hyderabad ' B ' Bench, Hyderabad

श्री मंजूनाथ जी, माननीय लेखा सदस्य एवं श्री रवीश सूद, माननीय न्यायिक सदस्य
SHRI G. MANJUNATHA, HON'BLE ACCOUNTANT MEMBER
AND
SHRI RAVISH SOOD, HON'BLE JUDICIAL MEMBER

आयकरअपीलसं./I.T.A.No.77 & 78/Hyd/2025
(निर्धारण वर्ष/ Assessment Year:2016-17 & 2017-18)

Sujala Pipes Private Limited, Nandyal. PAN: AACCS5360A	Vs.	ACIT, Circle-1, Kurnool.
(अपीलार्थी/ Appellant)		(प्रत्यर्थी/ Respondent)

करदाता का प्रतिनिधित्व/ Assessee Represented by	:	Shri T. Rajendra Prasad, CA & Adv P. Rosi Reddy
राजस्व का प्रतिनिधित्व/ Department Represented by	:	Mrs M. Narmada, CIT-DR & Shri D. Praveen, Sr. AR
सुनवाई समाप्त होने की तिथि/ Date of Conclusion of Hearing	:	07.05.2025
घोषणा की तारीख/ Date of Pronouncement	:	16.05.2025

ORDER

प्रति रवीश सूद, जे.एम./PER RAVISH SOOD, J.M.

The captioned appeals filed by the assessee company are directed against the orders passed by the Commissioner of Income-Tax (Appeals), National Faceless Appeal Center (NFAC), Delhi dated 21/05/2024 & 27/06/2024, which in turn arise out of the respective orders passed by the A.O. under Section 147 r.w.s 144 r.w.s 144B AND

under Section. 144 of the Income Tax Act, 1961 (“the Act”) dated 22/03/2022 and 29/12/2019 for the A.Y 2016-17 and 2017-18, respectively. As the facts involved in the captioned appeals are inextricably interlinked and interconnected, therefore, they are being taken up and disposed of by this consolidated order.

2. We shall first take up the appeal filed by the assessee company for the A.Y 2016-17 in ITA No.77/Hyd/2025, wherein the impugned order has been assailed on the following grounds of appeal before us:

- “1. The Learned CIT(A) erred in confirming the order of the A.O. which is contrary to the law in the facts and circumstances of the case.
2. The Learned CIT(A) and the A.O. erred in disbelieving the evidence produced in support of cash deposits of Rs. 8,40,61,989/- being proceeds of sale realizations which are directly deposited by various dealers across the state.
3. The Learned CIT(A) and the A.O. are not justified in confirming / making addition of Rs. 4,52,14,069/- without specifying the details of the contractors to whom the payments are made.
4. The Learned CIT(A) and the A.O. erred in the facts and circumstances of the case in confirming / making the addition U/s. 69A alleging that the sources of payment to contractors are not furnished.
5. The Learned CIT(A) and the A.O. ought to have appreciated that the books of account are audited and all the expenses are duly recorded in the books of account and hence invoking the provisions of section 69A is not warranted in the facts and the circumstances of the case.
6. The Learned CIT(A) and the A.O. ought to have appreciated that the amount of Rs. 14,79,810/- is already recorded in the books of account of the appellant and hence bringing to tax of Rs. 14,79,810/- again amounts to double taxation.
7. The Learned CIT(A) / A.O. erred in confirming / demanding interest U/s. 234A of Rs. 2,98,66,254/- and U/s. 234B of Rs. 3,25,81368/-.
8. The appellant craves to add, amend, alter, vary and / or withdraw any or all the above grounds of appeal.”

3. Succinctly stated, the assessee company which is engaged in the business of manufacturing and distribution of PVC Pipes had not filed its return of income for the subject year. The A.O., observing that the assessee company had carried out substantial financial transactions viz., (i) cash deposits in its bank accounts: Rs. 8,40,61,989/-; (ii) payment to contractors: Rs. 4,52,14,069/-; (iii) receipt of interest income: Rs. 14,79,810/-; and (iv) import of raw materials: Rs. 6,86,58,443/-, initiated the proceedings under Section 147 of the Act. Notice under Section 148 of the Act dated 30/03/2021 was issued to the assessee company.

4. Ostensibly, the assessee company failed to comply with the notice issued by the A.O. under Section 148 of the Act dated 30/03/2021. Also, the assessee company had though initially failed to respond to the notices that were issued by the A.O under Section 142(1) of the Act, but, had thereafter at the fag end of the proceedings filed its written submissions regarding the multi-facet issues based on which proceedings under Section 147 of the Act were initiated in its case.

5. Apropos the cash deposits of Rs. 8,40,61,989/- made in the bank account of the assessee company, it was the assessee's claim that the same were the sale proceeds which in the normal course of its business were deposited by its dealers and distributors in its bank accounts. Also, the assessee company to fortify its aforesaid claim had drawn

support from its financial statement for the subject year which revealed that it had generated revenue of Rs. 73.46 Crores (approx.) during the year under consideration. Apart from that, the assessee company had filed before the A.O. its VAT and GST returns for the subject year, wherein the purchases and sales were disclosed. Also, the assessee company to dispel all doubts regarding its aforesaid explanation, had placed on record the copy of its annual accounts and the computation of income. However, the A.O. did not find favor with the explanation of the assessee company regarding the source of the cash deposits made during the subject year in its bank accounts of Rs. 8.40 crores (supra). The A.O., being of the view that the assessee company had failed to place on record the complete details of the dealers and distributors who were stated to have made the cash deposits in its bank accounts, thus, finding no substance in its claim, rejected the same.

6. Apropos, the amount that was paid by the assessee company to the contractor amounting to Rs. 4.52 crores (approx.), it was claimed by the assessee company that it had not made any such payment during the subject year. Alternatively, the assessee company had claimed that all the expenditure that it had incurred during the year was accounted for in its audited books of account. However, the A.O. holding a firm conviction that the assessee company had failed to place on record the details of the persons who had performed the contract work along with

the source of the payments to them, made an addition of Rs. 4,52,14,069/- under Section 69A of the Act.

7. Apropos the interest income of Rs. 14,79,810/-, it was the claim of the assessee company that it had credited the same in its "Profit & Loss Account" for the subject year. However, the A.O. was of the view that as the assessee company had failed to submit any details of the bank accounts and other evidence to justify the actual amount of interest that was received by it, therefore, made an addition of Rs. 14.79 lacs (approx.) in its hands.

8. Accordingly, the A.O. after making the aforesaid additions vide its order passed under Section 147 r.w.s 144 r.w.s 144B of the Act, determined the income of the assessee company at Rs.13,07,55,868/-.

9. Aggrieved, the assessee company carried the matter in appeal before the CIT(A) but without success. For the sake of clarity, the observations of the CIT(A) are culled out as under:

"I have gone through the facts of the case and have considered material on record in the case of the appellant and also considered submission of appellant company before A.O. which were counter questioned by him explanation and submission of substantial documents to establish the fact. It is important to provide corroborative evidence to prove the source of cash deposits as well as to produce details of all parties, dealers and distributors to whom they had supplied products and acquired sell proceed. Therefore, it is crucial for taxpayers to maintain proper documentation and evidence to support their claims in order to avoid additions under section 69A on account of unexplained cash deposits. The appellant should maintain proper records and documentation of their financial transactions and ensure that they can provide corroborative evidence to support their claims during assessment proceedings. During appellant proceedings appellant company had been given several opportunities, shown in tabular format at the beginning of this order but in response to these notices company never made any reply. Thus, in my considered view, there is absolutely no infirmity in the impugned assessment

order, in the conclusion that have been arrived at. In the absence of any evidence, material or explanation in this regard, it is view that appellant failed to substantiate the explanation given before the authorities below, therefore, appellant failed to establish the source of the cash deposits in the bank accounts of the appellant. Accordingly, all the addition pertaining to cash deposited, payment made to contractor and interest income and interest income is hereby confirmed as unexplained money U/s. 69A.

In this context reliance is placed on decision of Hon'ble Delhi High Court in the case of CIT vs. Nr Portfolio (P) Ltd, 206 (2014) DLT 97 (DB) (Del) in which Hon'ble Court opined that "when an assessee does not produce evidence or tries to avoid appearances before the Assessing Officer, it necessarily creates difficulties and prevents ascertainment of true and correct facts as the Assessing Officer with the desire to prevent inquiry or investigation, an adverse view should be taken".

In view of the above, it is clear that the appellant is not aggrieved with the assessment order impugned herein and is not interested in pursuing the same. Accordingly, the additions/disallowance as challenged in the grounds of appeal and in the appeal Memo are hereby confirmed.

Since the appellant has not adduced any additional ground(s) of appeal and since no Ground of appeal has been altered/modified/changed/amended, this ground of appeal is dismissed as "not pressed".

In the result, the appeal is dismissed.

In the result, the appeal is decided as above.

This order has been passed U/s. 250 r.w.s 251 of the Income Tax Act, 1961."

10. The assessee company being aggrieved by the order of the Learned CIT(A), has carried the matter in appeal before us.

11. We have heard the Learned Authorized Representatives of both sides, perused the orders of the Lower Authorities and the material available on record. Sri T. Rajendra Prasad, learned Counsel for the assessee company ("ld. AR") at the threshold of hearing of the appeal, submitted, that the present appeal involves a delay of 175 days. Elaborating on the reasons leading to the delay, the ld.AR had drawn our attention to the application dated 14/02/2025 filed by the assessee company seeking condonation of the same along with an "affidavit" filed

in support thereof. The Id.AR submitted that the notices intimating the fixation of the appeal were dropped by the office of the CIT(A)/NFAC in the different email Ids belonging to its erstwhile accountant and tax consultants viz., svenkat1@nandipipes.com and anjaneyuluco@gmail.com. The Id.AR submitted that as Sri S. Venkat (Accounts Officer) to whom the email id svenkat1@nandipipes.com belonged and was looking after the income tax matters had left the assessee company and recently expired in February, 2024, while for the assessee company had remained oblivion of the notices that were served upon him. Also, the Id.AR submitted that the assessee company had remained unaware of the notices intimating the fixation of the appeal by the CIT(A) that were dropped in the email id anjaneyuluco@gmail.com which belonged to its earlier tax consultant. The Id.AR submitted that the assessee company for the aforesaid bona fide reasons had gathered information about the disposal of its appeal by the CIT(A) only after it's bank account was attached by the Department in January, 2025. The Id.AR submitted that the assessee company on learning about the dismissal of its appeal by the CIT(A), had immediately approached its Counsel and filed the present appeal. The Id.AR submitted that as the delay in filing of the present appeal had crept in for bona fide reasons and not on account of any lackadaisical approach or malafide intention, therefore, the same in all fairness be condoned.

12. Per contra, the Learned Departmental Representative (“Ld. DR”) objected to the seeking of condonation of the delay involved in filing of the present appeal.

13. We have thoughtfully considered the reasons leading to the delay in filing of the present appeal. After giving our thoughtful consideration, we are of the view that as the delay involved in filing the present appeal had crept in on account of bona fide reasons i.e., unawareness of the assessee company about the dismissal of its appeal by the CIT(A) as the notices/order were dropped in the email id of it’s accountant/tax consultants, therefore, there is merit in its explanation based on which it has sought for condonation of the delay involved in filing the present appeal. Although the assessee company ought to have remained vigilant as regards the timely filing of the appeal, but considering the totality of the facts involved in the present case, we herein condone the delay therein involved. Our aforesaid view that a liberal approach is to be adopted while considering the application filed by an appellant seeking condonation of delay is supported by the judgment of the **Hon'ble Supreme Court** in the case of **Vidya Shankar Jaiswal vs. The Income Tax Officer, Ward-2, Ambikapur in Specia Leave Petition (Civil) Nos. 26310-26311/2024, dated 31st January, 2025**. The Hon'ble Apex Court while setting aside the order of the Hon'ble High Court of Chhatisgarh, which had approved the declining of the condonation of delay of 166 days by the Income Tax Appellate Tribunal,

Raipur Bench, had observed that a justice-oriented and liberal approach should be adopted while considering the application filed by an appellant seeking condonation of delay involved in filing of the appeal.

14. The assessee company has filed before us an application seeking admission of certain documents as additional evidence, as under:

- a. Cash sales details for Rs. 1.39 Crs.
- b. Summary of cash deposits [Rs. 8.65 Crs] and withdrawals from various banks [Rs. 12.59]
- c. Bank statements related to 8 Banks [for one day / one month]
- d. Ledger extract for 'income from contract works'
- e. Ledger extract for interest income
- f. Form 26AS
- g. From 3CA and 3CD

15. As the aforesaid documents filed by the assessee appellant will have a strong bearing on the adjudication of the issues involved in the present appeal before us, therefore, considering the fact that the assessee company had justifiable reason for not participating in the proceedings before the CIT(A), and placing the same on record, we admit the same.

16. Apropos merits of the case, we find that the A.O. had held the cash deposits of Rs. 8.40 Crores (supra) made in the bank accounts held by the assessee with Andhra Bank, Branch Nandyal in A/c. Nos. 037911011001551 and 037911100001820 as being sourced from its unexplained money U/s. 69A of the Act. Ostensibly, the A.O. had

rejected the claim of the assessee company that the cash deposits of Rs. 8.40 Crores (supra) were sourced out of the sale proceeds of its business of manufacturing and distribution of PVC Pipes which were mainly used in the irrigation, and the said amounts that were deposited by the dealers and distributors in the normal course of its business in its bank accounts. Although, the assessee company to buttress its aforesaid claim had drawn support from the fact that it had in the subject year generated revenue of Rs. 73.46 Crores (supra) from its business operations, but, the A.O. was of the view that as the assessee company had failed to furnish the complete details of its dealers and distributors who had deposited the cash in its bank accounts therefore, its explanation that the cash deposits of Rs. 8.40 Crores (supra) was sourced out of the sales proceeds of its business did not merit acceptance. On appeal, the CIT(A) had approved the view taken by the A.O. and sustained the addition made by him.

17. We have thoughtfully considered the observations of the lower authorities. The ld.AR during the course of the proceedings before us, had drawn our attention to the financial statements of the assessee company for the year under consideration, which revealed that it had generated revenue of Rs. 73.46 Crores (supra) during the subject year, Page 74 of the APB. Apart from that, the ld.AR had taken us through the cash book and consolidated contra transactions in the bank accounts of the assessee company for the subject year, which revealed

that there were aggregate of cash withdrawals of Rs. 12.59 Crores (approx.) and cash deposits of Rs. 8.65 Crores (approx.) in the said bank accounts during the subject year, Page 159 of the APB. Apart from that, we find that the copy of the VAT/CST returns filed by the assessee company further evidences its sales during the subject year, Page 83 to 121 of the APB.

18. Considering the aforesaid facts, we find substance in the ld. A.R's claim, that the cash deposits of Rs. 8.65 Crores (supra) made in the bank accounts of the assessee company during the subject year were sourced out of its cash sales/collections that were deposited by the dealers and distributors in its bank accounts. We are of the firm conviction that the aforesaid explanation of the assessee company could not have been summarily discarded by the lower authorities. We thus, are of the view that the claim of the assessee company i.e., the cash deposits of Rs. 8.40 Crores (supra) were sourced out of its duly accounted business transactions requires to be verified. Accordingly, we herein restore the issue to the file of the A.O. with a direction to re-adjudicate the same after affording a reasonable opportunity of being heard to the assessee company. The **Ground of Appeal No.2** is allowed for statistical purposes.

19. Apropos the addition made by the A.O. based on his observation that the assessee company had made a payment out of its unexplained

money to a contractor of Rs. 4.52 Crore (supra), we find that since inception, it has been the assessee's claim that no such payment was made to any contractor during the subject year. Rather, the assessee company had claimed that the amount of Rs. 4.52 Crores (supra) was the amount that it had received as contract receipts from three parties viz., (i) M/s. Sujala Infrastructure Pvt Ltd: Rs. 86,95,250/-; (ii) M/s. My Home Constructions Pvt Ltd: Rs. 22,969/-; and (iii) M/s. Panyam Cements & Mineral Industries Limited: Rs. 3,64,95,850/-. The ld.AR to buttress its aforesaid contention had drawn our attention to its "Form-26AS" for the subject year which supported the same. Elaborating further on his contention, the ld.AR had submitted that the aforesaid amount of contract receipts of Rs. 4.52 Crores (supra) were credited/accounted for by the assessee company under the head "Income/receipts from contract works: Rs. 5,53,91194/"- in its Profit & Loss Account for the subject year, Page 4 of the APB. The ld.AR based on his aforesaid contention submitted that the A.O. had failed to appreciate the fact that the amount of Rs. 4.52 Crores (supra) was the duly accounted contract receipts of the assessee company, and not any payment made by it to any contractor and, thus, had based on misconceived facts made the impugned addition U/s. 69A of the Act.

20. We have thoughtfully considered the aforesaid issue and concur with the ld. A.R that the aggregate of the contract receipts of Rs. 4.52 Crores (supra) as disclosed in the Form-26AS of the assessee company,

is the same amount which had been held by the A.O. as payment made by the assessee company to a contractor out of its unexplained money. Ostensibly, as the aforesaid explanation of the assessee company regarding the impugned addition of Rs. 4.52 Crores (supra) made by the A.O. U/s. 69A of the Act carries substance and could not have been outrightly scrapped, therefore, we herein restore the issue to the file of the A.O. with a direction to re-adjudicate the same after affording a reasonable opportunity of being heard to the assessee company. Before parting, we herein direct the A.O. to also verify the veracity of the claim of the assessee company that the contract receipts of Rs. 4.52 Crores (supra) as disclosed in its "Form-26AS" forms part of its income/receipts from contract works of Rs. 5.53 Crores (supra) that have been accounted for in its audited financial statement for the year under consideration. The **Grounds of appeal No. 3 to 5** are allowed for statistical purposes in terms of our aforesaid observations.

21. Apropos the addition of interest income of Rs. 14,79,810/-, we find that the A.O. was of the view that the assessee company had failed to offer the said interest income for tax. On the contrary, the assessee company had claimed that the interest income of Rs. 14.79 lacs (approx) formed part of the interest income of Rs. 17.62 lacs (approx.) that it had disclosed under the head "Other income" in its Profit & Loss Account for the subject year, Page 74 of the APB. As the aforesaid claim

of the assessee company would require necessary verification and cannot be accepted on the very face of it, therefore, in all fairness, we restore the issue to the file of the A.O. for fresh adjudication. Needless to say, the A.O. shall in the course of the set-aside proceedings afford a reasonable opportunity of being heard to the assessee company on the aforesaid issue. The **Ground of appeal No.6** is allowed for statistical purposes.

22. The assessee company has further assailed before us by raising “Ground No.7” the levy of interest U/s. 234A and 234B of the Act. As we have restored the impugned additions to the file of the A.O. for fresh adjudication, therefore, the levy of interest under the aforesaid statutory provisions which is mandatory would be re-determined by him while framing the de novo assessment.

23. The **Grounds of Appeal Nos. 1 and 8** being general in nature are dismissed as not pressed.

24. In the result, the appeal filed by the assessee is allowed for statistical purposes.

ITA No. 78/Hyd/2025

(A.Y: 2017-18)

25. We shall now take up the appeal filed by the assessee company for A.Y 2017-18, wherein the impugned order has been assailed on the following grounds of appeal before us:

- “1. The Learned CIT(A) of NFAC erred in confirming the order of the A.O. which is contrary to the law in the facts and circumstances of the case.
2. The Learned CIT(A) and the A.O. erred in confirming / passing the assessment order which void ab initio as the same is passed without issuing an appropriate show cause notice specifying the additions to be made which is against the mandatory provisions of section 144 and section 143(2) and CBDT Instruction 20/2015.
3. The Learned CIT(A) and the A.O. erred in not properly appreciating the material evidence placed before the A.O. in the form of cash book and ought to have appreciated that the amount deposited of Rs. 94,86,000/- in the bank account represents the cash generated from the business of the appellant and lying as cash in hand as specified bank notes and the same was deposited due to the announcing of demonetization scheme by the Govt of India.
4. The Learned CIT(A) and the A.O. are not justified in confirming / making disallowance at 30% of Rs. 28,42,719/- as the provisions of section 40(a)(ia) are not applicable to ‘interest of overdue’.
5. The Learned CIT(A) and the A.O. erred in law in disallowing the expenditure at the rate of 10% on adhoc basis simply by stating that they are supported by self-made vouchers without pointing to any specific deficiency in the books of account.
6. The Learned CIT(A) / A.O. erred in confirming / demanding interest U/s. 234A of Rs. 16,48,042/- and U/s. 234B of Rs. 23,64,582/-.
7. The appellant craves leave to add, amend, alter, vary and /or without any or all the above grounds of appeal.”

26. Succinctly stated, the A.O., observing that the assessee company had not filed its return of income for the subject year i.e., A.Y 2017-18, issued notice U/s. 142(1) of the Act, dated 01/12/2017 to the assessee company calling upon it to file the same latest by 31/12/2017.

27. As the assessee company neither complied to the notice issued by the A.O. U/s. 142(1) of the Act dated 01/12/2017 and failed to file its return of income in compliance thereto, and also despite sufficient opportunity failed to place on record the relevant information as was called for by the A.O, therefore, the latter was constrained to frame the

assessment to the best of his judgment U/s. 144 of the Act, dated 29/12/2019.

28. During the course of the assessment proceedings, A.O. observed that the assessee had deposited an amount of Rs. 1,23,34,579/- during the demonetization period. On being queried, it was the assessee's claim that the subject deposits were made by the buyers of its products who would remit the sale proceeds directly in its bank accounts. Ostensibly, as the assessee company could not submit any valid explanation for the cash deposits amounting to Rs. 94.86 lacs, therefore, the A.O. held the same as having been sourced out of its unexplained money U/s. 69A of the Act. Also, the A.O. observed that the assessee company had failed to deduct tax at source on certain expenses aggregating to Rs. 1.62 Crores. Accordingly, the A.O. worked out the disallowance U/s. 40(a)(ia) of the Act of Rs. 48,68,756/- i.e., @30% of Rs. 1.62 Crs.

29. Apart from that, the A.O. observed that as the assessee company had failed to substantiate the veracity of its claim of expenses aggregating to Rs.2,00,81,253/- and thus, disallowed on an ad hoc basis 10% of the same i.e Rs. 20,08,126/-. Accordingly, the A.O. after, inter alia, making the aforesaid additions/disallowance vide his order U/s. 144 of the Act dated 29/12/2019 scaled down the loss disclosed by the assessee company to (Rs.3,17,14,504/-). The addition made by

the A.O. U/s. 69A of the Act of Rs. 94.86 lacs (supra) was separately brought to tax.

30. Aggrieved, the assessee company carried the matter in appeal before the CIT(A), but, without success. For the sake of clarity, the observations of the CIT(A) are culled out as under :

“I have gone through the facts of the case and have considered material on record in the case of the appellant, and also considered submission of appellant company before Ld. A.O. Thus, in my considered view, there is absolutely no infirmity in the impugned assessment order, in the conclusion that have been arrived at. In the absence of any evidence, material or explanation in this regard, it is view that appellant failed to substantiate the explanation given by the Ld. A.O. where he elaborately discussed all the issues raised by the appellant.

In this context reliance is placed on decision of Hon'ble Delhi High Court in the case of CIT vs. Nr Portfolio (P) Ltd, 206 (2014) DLT 97 (DB) (Del) in which Hon'ble Court opined that “when an assessee does not produce evidence or tries to avoid appearances before the Assessing Officer, it necessarily creates difficulties and prevents ascertainment of true and correct facts as the Assessing Officer with the desire to prevent inquiry or investigation, an adverse view should be taken”.

In view of the above, it is clear that the appellant is not aggrieved with the assessment order impugned herein and is not interested in pursuing the same. Accordingly, the additions / disallowance as challenged in the grounds of appeal and in the appeal Memo are hereby confirmed.

In the result, the appeal is dismissed.

In the result, the appeal is decided as above.

This order has been passed U/s. 250 r.w.s 251 of the Income Tax Act, 1961.”

31. The assessee company, being aggrieved by the order of the CIT(A), has carried the matter in appeal before us.

32. We have heard the Learned Authorized Representatives of both parties, perused the orders of both the lower authorities and the material available on record.

33. Apropos the addition made by the A.O. of Rs. 94.86 lacs U/s. 69A of the Act, we find that it has been the claim of the assessee company that the subject cash deposits were sourced out of its sale proceeds/collections generated in the regular course of its business, i.e., the sale of PVC Pipes which were mainly used for irrigation through a distribution network across the state of Andhra Pradesh with the farmers being the end users. However, the aforesaid explanation of the assessee company was rejected by the A.O., which thereafter had been upheld by the CIT(A).

34. As under the identical facts, we have restored the addition of cash deposits of Rs. 8.42 Crores (supra) made by the A.O. in the case of the assessee company for the immediately preceding year i.e., A.Y 2016-17 in ITA No. 77/Hyd/2025, therefore, on the same footing and the reasoning, the aforesaid addition of Rs. 94.86 lacs made by the A.O. during the subject year is restored to the file of the A.O. with a direction to re-adjudicate the issue after affording a reasonable opportunity of being heard to the assessee company. The **Ground of appeal No. 3** is allowed for statistical purposes in terms of our aforesaid observations.

35. Apropos the disallowance made by the A.O. U/s. 40(a)(ia) of the Act "Interest overdue" of Rs. 28,42,719/-, the ld.AR after arguing for some time sought not to contest the same. Accordingly, the **Ground of appeal no.4** is dismissed as not pressed.

36. Apropos the Id. AR's contention that the A.O. had grossly erred in law and fact of the case by most arbitrarily disallowing on an ad hoc basis 10% of its expenses of Rs. 2,00,81,253/- that were incurred in the normal course of its business, we find that, the A.O. had observed that an examination of the "books of accounts" of the assessee company revealed that it had not vouched and supported its claim for deduction of expenses based on third party bills, and had only supported the same by self-made vouchers, which, thus had rendered the same as not verifiable. However, there is no whisper in the assessment order that as to which all expenses/vouchers were not found to be verifiable. As the A.O. had failed to justify the disallowance on an ad-hoc basis 10% of the subject expenses, resulting to a disallowance of Rs. 20 lacs (approx.), therefore, we herein restore the issue to the file of the A.O. with a direction to re-adjudicate the same. The A.O. shall in the set-aside proceedings verify the assessee's claim for deduction of the subject expenses in question and disallow only those which are not in conformity with the statutory conditions for allowability of the same as set out in Section 37(1) of the Act. The **Ground of appeal No. 5** is allowed for statistical purposes.

37. As we have restored the issues to the file of the A.O. for fresh adjudication, therefore, he is directed to re-work out the interest liability U/s. 234A and 234B of the Act while framing the de novo

assessment. The **Ground of appeal No. 6** is disposed of in terms of our aforesaid observations.

38. The **Grounds of appeal Nos. 2 and 7** are dismissed as not pressed.

39. Resultantly, the appeal filed by the assessee company is allowed for statistical purposes in terms our aforesaid observations.

40. In the result, both the appeals of the assessee company are allowed for statistical purposes.

Order pronounced in the Open Court on 16th May, 2025.

Sd/- (मंजूनाथ जी) (MANJUNATHA G.) लेखा सदस्य/ACCOUNTANT MEMBER	Sd/- (श्री रवीश सूद) (RAVISH SOOD) न्यायिक सदस्य/JUDICIAL MEMBER
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Hyderabad, dated 16.05.2025.

#*OKK/SPS

आदेशकी प्रतिलिपि अग्रेषित/ Copy of the order forwarded to:-

1.	निर्धारिती/The Assessee	:	Sujala Pipes Private Limited, C-1, Industrial Estate, Nandyal, Kurnool District, Andhra Pradesh-518502.
2.	राजस्व/ The Revenue	:	ACIT, Circle-1, Income Tax Office, Opp. Children Park, NR Pet, Kurnool-518001.
3.	The Principal Commissioner of Income Tax, Kurnool.		
4.	विभागीयप्रतिनिधि, आयकर अपीलीय अधिकरण, हैदराबाद / DR, ITAT, Hyderabad		
5.	The Commissioner of Income Tax		
6.	गार्डफ़ाईल / Guard file		

आदेशानुसार / BY ORDER

Sr. Private Secretary
ITAT, Hyderabad

By Order