

आयकर अपीलीय न्यायाधिकरण में, हैदराबाद 'ए' बेंच, हैदराबाद  
**IN THE INCOME TAX APPELLATE TRIBUNAL**  
**Hyderabad ' A ' 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**

आयकर अपील सं./I.T.A.No.697/Hyd/2025  
(निर्धारण वर्ष/ Assessment Year: 2017-18)

Gangadhar Agarwal, R/o.Nizamabad.  PAN : AAYPA1643D <b>(अपीलार्थी/ Appellant)</b>	Vs.	The Income Tax Officer, Ward - 1, Nizamabad.  <b>(प्रत्यर्थी/ Respondent)</b>
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करदाता का प्रतिनिधित्व/ Assessee Represented by	:	Shri P. Murali Mohan Rao, C.A.
राजस्व का प्रतिनिधित्व/ Department Represented by	:	Shri Gurpreet Singh, Sr.DR
सुनवाई समाप्त होने की तिथि/ Date of Conclusion of Hearing	:	24.06.2025
घोषणा की तारीख/ Date of Pronouncement	:	03.09.2025

**ORDER**

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

The present appeal filed by the assessee is directed against the order passed by the Commissioner of Income-Tax (Appeals), National Faceless Appeal Center (NFAC), Delhi, dated 08.04.2025,

which in turn arises from the order passed by the Assessing Officer under Section 143(3) of the Income Tax Act, 1961 (for short, "Act"), dated 23.12.2019 for A.Y. 2017-18. The assessee has assailed the impugned order on the following grounds of appeal before us:

"1. The order of the Ld. CIT(A) NFAC, Delhi dated 08.04.2025 for the AY 2017-18 is erroneous both on facts and in law to the extent the order is prejudicial to the interests of the appellant.

2. The Ld. CIT(A) ought to have considered that the AO, while completing the assessment under scrutiny which was selected under CASS for examining the issue of "Quantitative details of principal items of goods traded or raw material as well as finished goods" has called for certain information vide his notice u/s 142(1) dt. 24.07.2019, which has exceeded the limit for which the case selected for limited Scrutiny under CASS and therefore the assessment u/s 143(3) dt. 23.12.2019 suffers legality and therefore deserves to be annulled.

3. The Ld. CIT(A) ought to have considered that the AO, while explaining the scope of the issues as that for the complete scrutiny, without obtaining prior approval of the Pr. CIT concerned and thus the assessment is bad in law and needs to be quashed/annulled.

4. The Ld. CIT(A) ought to have considered that the AO failed to consider the submissions made by the appellant with regard to the details of opening stock, purchases, sales and closing stock in respect of each item of commodity viz., item MOP etc. dealing by him in the year wherein no discrepancies were found and therefore the addition of Rs. 5,19,12,599/- made is not sustainable.

5. The Ld. CIT(A) ought to have considered that the AO failed to make addition of Rs. 5,19,12,599/- towards alleged suppression in purchases and sales without purchases item-wise as calculated from Trading, P&L A/c of the appellant in the items of commodities carried on business without identifying and variation in Trading, P&L A/c of the assessee and thus the addition needs to be deleted.

6. The Ld. CII(A) ought to have considered that no addition can be made towards quantitative items of goods traded as the business carried on by the appellant comes under the Essential Commodities Act and no variation in stock was found out in the Audit report u/s 44AB of the Act.

7. The Ld. CIT(A) ought to have considered that no addition can be made towards quantitative items of good as no variation was found with reference to VAT return and GST Return.

8. The Ld. CIT(A) ought to have considered that the AO, while sending his remand report on 03.01.2024 has observed in para 4 that the appellant filed additional evidence in the form of ITR Copy, Form 3CD, Ledger copies, VAT returns etc., which were already considered by the earst while AO while completing asst., which clearly established that he was not verified before submitting his remand report and hence the said remand report cannot be taken into cognizance.

9. The Ld. CIT(A) ought to have considered that no addition of Rs. 5,19,12,599/- to be made in the assessment and presumptions as at para 4 of the remand report dt. 03.01.2024 of the AO ought not to have been accepted in his order, instead of rejecting the remand report and passed order without considering the facts of the case.

10. The appellant may add or alter or amend or modify or substitute or delete and/or rescind all or any of the grounds of appeal at any time before or at the time of hearing of the appeal.

2. Succinctly stated, the assessee who is engaged in the business of trading of fertilizers had e-filed his return of income for A.Y. 2017-18 on 08.12.2017, declaring an income of Rs. 14,87,800/-. Subsequently, the case of the assessee was selected for scrutiny assessment for examining the *“quantitative details of principal items of goods traded or raw material, as well as finished goods”*.

3. During the course of assessment proceedings, the assessee in compliance to the notice issued by the A.O. under Section 142(1) of the Act, dated 11.10.2019, filed before him a detailed “trading account” along with quantitative particulars of the items traded by

him and the “balance-sheet” for the year under consideration. The A.O., after perusing the quantitative particulars once again called for the information vide his letter dated 10.12.2019. In compliance, the assessee furnished the quantitative particulars such as Opening stock + Purchases – Sales = Closing stock. Ostensibly, the A.O. observed that the quantitative details filed by the assessee did not tally with those that were placed on his record on the earlier occasion. The A.O. culled out the discrepancy in the quantitative particulars in a tabular form in the assessment order, as under:

Sl. No.	Product Name	Opening stock (Quintals)	Purchases (Quintals)	Sales (Quintals)	Closing Stock (Quintals)	Amount	Remarks
1	MOP	12030	NIL	NIL	NIL	8541300	Neither the sales nor the closing stock is appearing in the financial statements : <b>Deemed to be unexplained expenditure u/s.69C</b>
2	PPL MOP	Nil	4000	2020	50	1027725	1930 quintals is missing as closing stock or sales : <b>Unexplained Money u/s.69A</b>
3	10.26.26	13506	Nil	Nil	Nil	14181300	Neither the sales nor the closing stock is appearing in the financial statements : <b>Deemed to be unexplained expenditure u/s.69C</b>
4	12.32.16	14390	79880	62580	31690	5111900	The closing stock as per the information submitted by assessee is appearing as 31690 quintals against the closing stock shown as 26420 quintals shown in trading account. Hence the difference of 5270 Quintals is missing as closing stock or sales : <b>Unexplained Money u/s.69A</b>
5	CIL Super G	Nil	3160	2340	820	76000	Actual closing stock was shown in Trading account as 1020 quintals against 820 as per purchase and

							sales, thereby there is hidden purchases of 200 quintals i.e., <b>Unexplained expenditure u/s.69C.</b>
6	ZIL 10.26.26	Nil	Nil	680	8486	8707700	Without opening stock and purchases, sales and closing stock are appearing in Trading Account thereby 9166 quintals of purchases are not shown which is <b>unexplained Expenditure u/s.69C</b>
7	CIL Super D	Nil	Nil	200	Nil	64762	Without purchases or opening stock sales were shown which is <b>suppressed expenditure u/s.69C.</b>
8	CIL MOP	Nil	13402	14052	540	595000	Without sufficient purchases sales and closing stock shown in trading account thereby 1190 quintals of purchases suppressed which is <b>unexplained expenditure u/s.69C.</b>
9	ZIL MOP	Nil	440	5020	Nil	2331273	Without sufficient purchases sales shown in trading account thereby 4580 quintals of purchases <b>suppressed which is unexplained expenditure u/s.69C.</b>
10	RCF MOP	Nil	5317	8337	Nil	1486418	Without sufficient purchases sales shown in trading account thereby 3020 quintals of purchases <b>suppressed which is unexplained expenditure u/s.69C.</b>
11	IFFCO 10.26.26	Nil	1000	2560	1000	2457600	Without sufficient purchases sales and closing stock shown in

							trading account thereby 2560 quintals of purchases suppressed which is <b>unexplained expenditure u/s.69C.</b>
12	SIL 10.26.26	Nil	200	1780	200	1708800	Without sufficient purchases sales and closing stock shown in trading account thereby 1780 quintals of purchases suppressed which is <b>unexplained expenditure u/s.69C.</b>
13	Deepak MOP	Nil	Nil	1200	Nil	604000	Without purchases sales shown in trading account thereby 1200 quintals of purchases suppressed which is <b>unexplained expenditure u/s.69C.</b>
14	Kribbco MOP	Nil	Nil	20	Nil	14000	Without purchases sales shown in trading account thereby 20 quintals of purchases suppressed which is <b>unexplained expenditure u/s.69C.</b>
15	ZIL 10.32.16	Nil	Nil	3700	1570	5004821	Without purchases sales and closing stock shown in trading account thereby 5270 quintals of purchases suppressed which is <b>unexplained expenditure u/s.69C.</b>

4. Thereafter, the A.O., vide his letter dated 10.12.2019, called upon the assessee for the quantitative stock details in a specific format of Opening stock + Purchases – Sales = Closing stock for the items referred to in the said letter. In reply, the assessee furnished

the requisite details along with other details, i.e., VAT receivables, ledger accounts of all major creditors, sample invoices, etc.

5. The A.O., after considering the reply of the assessee, observed that the Trading, Profit & Loss account uploaded by the assessee of items, viz. MOP, PPL MOP, 10.26.26, 12.32.16, CIL Super G, ZIL 10.26.26, CIL Super D, CIL MOP, ZIL MOP, RCF MOP, IFFCO 10.26.26, SIL 10.26.26, Deepak MOP, Kribbco MOP, ZIL 10.32.16 revealed a quantitative suppression of a value of Rs. 5,19,17,599/- , viz. (i). suppressed purchases; and (ii). sales without purchases. Thus, the A.O. made an addition of Rs. 5.19 crore (approx.) by treating it as unexplained expenditure u/s 69C or unexplained money u/s 69A of the Act. Accordingly, the A.O., vide his order under Section 143(3) of the Act, dated 23.12.2019, determined the income of the assessee at Rs. 5,34,00,399/-.

6. Aggrieved, the assessee carried the matter in appeal before the CIT(A).

7. During the course of proceedings before the CIT(A), the assessee in order to fortify his claim that there was no suppression of purchases, sales or closing stock as was inferred by the A.O.,

had filed an application U/rule 46A of the Income-tax Rules, 1962, seeking liberty for admission of certain fresh/additional documentary evidence. The CIT(A) called for a “remand report” from the A.O. As the A.O. did not raise any objection to the admission of the additional evidence, therefore, the CIT(A), taking cognizance of the fact that the said documents would have a material bearing on the adjudication of the issue before him, admitted the same.

8. The assessee submitted before the CIT(A) that the A.O. had failed to appreciate that he was engaged in the business of trading in fertilizers, which was a government-controlled commodity coming under the Essential Commodities Act. The assessee submitted that the A.O. had failed to appreciate that there was a one-to-one relationship between the opening stock, purchases, sales and the closing stock. The assessee submitted before the CIT(A) that he had, in the course of the assessment proceedings, vide his letter dated 10.12.2019, furnished a commodity-wise reconciliation of the statement of stock tally with reference to his trading and profit and loss account with all branch accounts consolidated together, and a perusal of the same revealed that there was no discrepancy. Elaborating further on his contention, it was

the claim of the assessee that the A.O. had grossly erred in not comprehending the nomenclature of the products in relation to which he was conducting his business. It was submitted by him that to ensure ease of conducting the business, he would make purchases of different products from different manufacturers and record such products in his books by prefixing the name of the manufacturer from whom such product was purchased to the name of the product. The assessee, to dispel all doubts, had filed before the CIT(A) the product-wise classification (manufacturer-wise), showing quantity and amount of opening stock, purchases, sales, and closing stock with the stock report. The assessee submitted that the A.O., without considering the correct factual position, had erroneously considered the manufacturer-wise classification of the products as different from the parent product itself, and thus, made the additions merely based on his assumptions that had no legs to stand upon.

9. The assessee submitted that he had submitted his Tax Audit Report on 11.10.2019 in response to the letter of the A.O. dated 03.10.2019, wherein his financial statements though disclosed the manufacturer-wise classification of the products under the heads

opening stock, purchases, sales, and closing stock, but, few parent products like MOP, 10.26.26, 12.32.16, Super etc. were shown as product as a whole i.e. only with the name of the product under the head "Opening Stock" without giving manufacturer-wise classification. Elaborating further on his claim, the assessee submitted that he had thereafter in response to the letter dated 10.12.2019, furnished a detailed Stock Report on 13.12.2019, wherein quantitative details of all products including, viz. MOP, 10.26.26, 12.32.16, Super etc. were classified manufacturer-wise. The assessee submitted that the A.O. without correctly appreciating the aforesaid factual position, had erroneously captured the quantitative details of the products, viz. MOP, 10.26.26, 12.32.16, Super etc. disclosed in the assessee's financial statements, as against the quantitative details of such products manufacturer-wise as disclosed in the Stock Report, and had held the impugned difference as unexplained. It was the assessee's submission that the A.O. had grossly erred in losing sight of the fact that the details of the parent products, viz. MOP, 10.26.26, 12.32.16, Super etc. were disclosed by the assessee in his financial statements by combining the balances of all manufacturer-wise



1	MOP	12030	NIL	NIL	NIL	8541300	Neither the sales nor the closing stock is appearing in the financial statements : Deemed to be unexplained expenditure u/s.69C
2	PPL MOP	Nil	4000	2020	50	1027725	1930 quintals is missing as closing stock or sales : Unexplained Money u/s.69A
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5	CIL Super G	Nil	3160	2340	820	76000	Actual closing stock was shown in Trading account as 1020 quintals against 820 as per purchase and sales, thereby there is hidden purchases of 200 quintals i.e., Unexplained expenditure u/s.69C.
6	ZIL 10.26.26	Nil	Nil	680	8486	8707700	Without opening stock and purchases, sales and closing stock are appearing in Trading Account thereby 9166 quintals of purchases are not shown which is unexplained Expenditure u/s.69C
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							purchases sales shown in trading account thereby 4580 quintals of purchases suppressed which is unexplained expenditure u/s.69C
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15	ZIL 10.32.16	Nil	Nil	3700	1570	5004821	Without purchases sales and closing stock shown in trading account thereby 5270 quintals of purchases suppressed which is unexplained expenditure u/s.69C.

However, the appellant has claimed that he has submitted reconciliation statement of the principal goods as identified by the A.O. and there was absolutely no difference what-so-ever. Thus, there was no reason for making any addition towards suppression of purchases & sales for the above said amount.

**5.3.5** Here, it is important to note that the JAO in remand proceedings has verified the documents submitted by the appellant and has categorically observed that documents related stock are all not backed by any evidence in the form of Bills / Vouchers and also they are not being tallied with the GST / VAT returns and the input claims have

not been mentioned therein. Further, despite being provided several opportunities during the course of assessment proceedings, the appellant failed to furnish these documents before the AO. Accordingly, these documents seem to have been an after-thought and have been prepared now just as an afterthought which need no consideration at this point of time. The documents are mere statements with no support of documentary evidence. **Hence, it is held that the addition made by the AO of Rs.5,19,12,599/- on account of suppression of purchases and sales without purchases is upheld.**

**5.2.6** Further, the appellant in his submission has contended that the AO has erred in applicability of section 115BBE of the Act. The claim of the appellant has been perused vis-à-vis the provisions of section 115BBE as amended by the taxation laws (Second Amendment) Act, 2016 dated 15.12.2016. In this context, it is worthwhile to take note of the decision of Hon'ble Kerala High Court dated 23.09.2020 in the case of Maruthi Babu Rao Jadav Vs ACIT WA.No. 984 of 2019. The Hon'ble Court has discussed the applicability of section 115BBE and the rate of tax @ 60 percent at length and has observed as under:

*".....13. Section 115 BBE was inserted by Finance Act 2012 w.e.f 01.04.2013. As on 01.04.2016 the financial year in which the subject seizures occurred Section 155BBE provided for 30% tax on income referred to in Sections 68, 69, 69A, 69B, 69C and 69D. The same was amended by the 2nd Amendment Act, w.e.f. 01.04.2017, enhancing the rate to 60%. Hence there was no new liability created and the rate of tax merely stood enhanced which is applicable to the assessments carried on in that year. The enhanced rate applies from the commencement of the assessment year, which relates to the previous financial year."*

**5.2.7** The Hon'ble Court has thus observed that the increased rate of 60% for the purposes of section 115BBE are applicable for assessment year 2017-18 and onwards. Hence, the AO has correctly charged tax u/s 115BBE @ 60%. **The contention of the appellant in this regard is hereby rejected.**

**The grounds of appeal raised are dismissed.**

11. The assessee aggrieved with the order of the CIT(A) has carried the matter in appeal before us.

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

13. Controversy involved in the present appeal lies in a narrow compass, i.e., the sustainability of the addition of Rs. 5.19 crore (supra) made by the A.O. under Section(s) 69A/69C of the Act based on the impugned multi-facet quantitative suppression of purchases/sales/closing stock.

14. We find that the A.O. based on the “Chart” culled out by him in the assessment order had made the impugned addition of Rs. 5.19 crore (supra) for multi-facet reasons, viz., (i). suppressed sales/closing stock; (ii) undisclosed purchases; and (iii). sales/closing stock without corresponding opening stock/purchases.

15. Shri P. Murali Mohan Rao, the learned Authorized Representative (for short “Ld.AR”) for the assessee, at the threshold of hearing of the appeal, submitted that both the lower authorities

had grossly erred in law and on the facts of the case by misdirecting themselves and making/sustaining the impugned addition based on glaringly incorrect facts. The Ld. AR submitted that the genesis of the impugned discrepancy finds its roots in the failure on the part of the A.O., in the first instance, to appreciate the quantitative details of the opening stock/purchases/sales/closing stock of the subject goods traded by the assessee. Elaborating further on his contention, the Ld. AR submitted that the assessee, to ensure ease of conducting business, purchased products from different manufacturers and recorded the same in his books of accounts by prefixing the name of the manufacturer from whom such product was purchased to the name of the product. The Ld. AR submitted that the impugned discrepancy in the quantitative stock tally had crept in during the course of the assessment proceedings, because, the A.O., without considering that the assessee was recording the purchases of different products from different manufacturers by prefixing their respective names, had most erroneously considered the said manufacturer-wise products as different from the parent products itself, which, thus, had resulted to the consequential impugned addition in the hands of the assessee.

16. The Ld. AR to buttress his claim had placed before us a manufacturer-wise reconciliation chart of the four parent products traded by the assessee that had resulted in the impugned discrepancy, viz., (i). MOP (ii). 10.26.26 (iii). 12.32.16; and (iv) Super. Also, the Ld. AR had drawn our attention to the “Fertilizers Trading Account” for the subject year, which revealed the quantitative details of the subject products, viz. (i). MOP (ii).10.26.26 (iii). 12.32.16 and (iv) Super. The Ld. AR had further drawn our attention to the fact that under the parent items (traded), there were sub-heads of the products by prefixing the name of the manufacturer from whom the same was purchased. The Ld. AR on specifically being queried to elaborate on the aforesaid manufacturer-wise reconciliation, had taken us through all the respective parent items traded along with the manufacturer-wise details.

17. Before proceeding further, we deem it apposite to cull out the “Fertilizer Trading Account”, which reads as under:





brands/sub-heads mentioned therein. Clarifying on the issue, the Ld. AR submitted that perusal of the reconciliation chart/audited Fertilizers Trading Account (enclosed with the return of income), revealed that the assessee had during the subject year made purchases and sales of various brands of MOP, viz. (i) purchases of 51,679 bags of MOP; and (ii). sales of 59,169 bags, which, thus, left with him 4540 bags of MOP that comprised of viz. (i) PPL MOP – 4,000 bags; and CIL MOP - 540 bags.

18. Elaborating further on his contention, the Ld. A.R. submitted that the A.O., without appreciating the correct factual position, had not only wrongly alleged quantitative suppression of “closing stock” of MOP (parent product) but had also based on the said wrong facts drawn adverse inference regarding the sub-heads/brands of MOP (parent product), viz., PPL MOP, RCF MOP, DFCL MOP, Kribco MOP, IPL MOP, ZIL MOP, FACT MOP. MCF MOP and CIL MOP. The Ld. AR submitted that the A.O., by treating the aforesaid sub-heads/brands of MOP as separate products, i.e., independent of the principal product MOP (Parent product), had wrongly observed that the assessee had suppressed its closing stock/sales of the said respective brands/sub-heads of MOP (parent product). Also, the

Ld. AR took us through similar discrepancies that were pointed out by the A.O. regarding the other parent products, i.e. SUPER, 10.26.26 and 12.32.16 and their respective brands/sub-heads.

19. To sum up, the Ld. AR submitted that the entire discrepancy had surfaced for the solitary reason that the A.O. had failed to appreciate that the sub-heads/brand-wise of the parent items traded by the assessee, viz. (i). MOP, (ii).10.26.26, (iii). 12.32.16 and (iv) Super, were not independent items but only a brand/sub-head of the respective parent items, and the said manufacturer-wise details of the said products was maintained by the assessee only for the ease of doing his business. The Ld. AR submitted that the aggregation of opening stock, purchases, sales, or closing stock of the parent products and their sub-heads/brand-wise classifications revealed that there was no discrepancy in the quantitative stock tally that was filed by the assessee.

20. Per contra, Shri Gurpreet Singh, the learned Senior Departmental Representative (for short "Ld. DR") relied upon the orders of lower authorities. The Ld. DR submitted that as the assessee could not reconcile the discrepancy in the stock tally of the various products, therefore, both the authorities below had

rightly made/sustained the addition of Rs. 5.19 crore (supra) based on the said discrepancy.

21. We have given thoughtful consideration to the contentions advanced by the Ld. Authorized Representatives of both parties in the backdrop of the orders of the lower authorities and the material available on record.

22. Before proceeding further, we deem it apposite to observe that the assessee had placed on record a copy of the "Fertilizer Trading Account" disclosing the parent products and the manufacturer-wise/brand-wise details of opening stock, purchases, sales, and closing stock. Also, the Ld. AR has placed on record a product-wise reconciliation and an explanation to the said reconciliation statement. We deem it apposite to cull out the "Product-wise reconciliation" as had been filed before us. Also, the explanation of the assessee supplementing the reconciliation statement is being reproduced as under:

Gangadhar Agarwal										
AY 2016-17										
Product wise Reconciliation										
Product name	sno.	Brand name	Opening Stock	Amount(Rs.)	Purchases	Amount(Rs.)	Sales	Amount(Rs.)	Closing Stock	Amount(Rs.)
MOP	1	PPL Mop	2,020	14,34,200	4,000	21,30,000	2,020	10,13,334	4,000	20,40,000
	2	RCF Mop	3,020	21,44,200	5,317	28,31,303	8,337	41,03,400	-	-
	3	DFPCL Mop	1,200	8,52,000	-	-	1,200	6,04,667	-	-
	4	Kribco Mop	20	14,200	-	-	20	14,000	-	-
	5	LPL Mop	-	-	22,040	1,12,43,914	22,040	1,07,82,912	-	-
	6	ZIL Mop	4,580	32,51,800	440	2,33,200	5,020	25,55,239	-	-
	7	FACT Mop	-	-	500	2,42,500	500	2,50,000	-	-
	8	MCF Mop	-	-	5,980	29,16,650	5,980	28,30,098	-	-
	9	CIL Mop	1,190	8,44,900	13,402	74,59,857	14,052	72,99,849	540	2,70,000
Total MOP			12,030	85,41,300	51,679	2,70,57,424	59,169	2,94,53,499	4,540	23,10,000
SUPER	1	CIL Super G	200	70,200	3,160	11,91,609	2,340	8,11,997	1,020	-
	2	CIL Super D	200	70,200	-	-	200	64,762	-	-
	3	SPIC SSP G	-	-	340	1,19,680	340	1,19,810	-	-
	4	SPIC SSP P	-	-	60	19,320	60	18,457	-	-
	Total SUPER			400	140,400	3,560	13,30,609	2,940	10,15,026	1,020
10.26.26	1	CIL 10.26.36	1,780	18,69,000	200	1,92,952	1,780	17,74,477	200	1,92,000
	2	SPIC 10.26.26	-	-	880	8,88,800	880	8,69,810	-	-
	3	ZIL 10.26.26	9,166	96,24,300	-	-	680	6,49,618	8,486	80,61,700
	4	IFFCO 10.26.26	2,500	26,88,000	1,000	10,06,000	2,560	25,71,708	1,000	9,60,000
Total 10.26.26			13,506	1,41,81,300	2,080	20,87,752	5,900	58,65,613	9,686	92,13,700
12.32.16	1	IFFCO 12.32.16	9,120	96,67,200	79,880	8,07,58,680	62,580	6,33,08,537	26,420	2,56,27,400
	2	ZIL 12.32.16	5,270	55,86,200	-	-	3,700	35,83,618	1,570	14,91,300
	Total 12.32.16			14,390	1,52,53,400	79,880	8,07,58,680	66,280	6,68,92,155	27,990

NOTE No.	PRODUCT NAME	BRANDS
1	MOP	1.PPL MOP 4. KRIBCO MOP 7.FACT MOP 2. RCF MOP 5. IPL MOP 8. MCF MOP 3. DFPCL MOP 6. ZIL MOP 9. CIL MOP
2	10.26.26	3. IFFCO 10.26.26 4. ZACL 10.26.26
3	SUPER	3.SSP-(P) GFL 4. SSP-(Powder) CIL/Super D
4	12.32.16	1. ZACL 12.32.16 2.IFFCO 12.32.16

Sl No.	Product name	AO Contention		Reconciliation of stock in the case of Gangadhar Agarwal for AY 2017-18					Remarks																																																																																
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1	MOP	<table border="1"> <thead> <tr> <th>Sl. No.</th> <th>Product Name</th> <th>Opening Stock (Quintals)</th> <th>Purchase (Quintals)</th> <th>Closing Stock (Quintals)</th> <th>Amount</th> <th>Remarks</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>MOP</td> <td>1200</td> <td>NIL</td> <td>NIL</td> <td>8541200</td> <td>Neither the sales nor the closing stock is appearing in the financial statements. Deemed to be unexplained expenditure u/s 68C</td> </tr> </tbody> </table>	Sl. No.	Product Name	Opening Stock (Quintals)	Purchase (Quintals)	Closing Stock (Quintals)	Amount	Remarks	1	MOP	1200	NIL	NIL	8541200	Neither the sales nor the closing stock is appearing in the financial statements. Deemed to be unexplained expenditure u/s 68C	<table border="1"> <thead> <tr> <th colspan="5">Various Brands M.O.P.</th> </tr> <tr> <th>S.No.</th> <th>Name of the Company</th> <th>Opening Stock (Bags)</th> <th>Purchase of Goods (Bags)</th> <th>Sales made (Bags)</th> <th>Closing Stock (Bags)</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>PPL MOP</td> <td>4000</td> <td>2020</td> <td>2020</td> <td>4000</td> </tr> <tr> <td>2</td> <td>RCF MOP</td> <td>3020</td> <td>5317</td> <td>8337</td> <td>0</td> </tr> <tr> <td>3</td> <td>DFPCL MOP</td> <td>1200</td> <td>0</td> <td>1200</td> <td>0</td> </tr> <tr> <td>4</td> <td>KRIBCO MOP</td> <td>20</td> <td>0</td> <td>0</td> <td>0</td> </tr> <tr> <td>5</td> <td>IPL MOP</td> <td>0</td> <td>22940</td> <td>22940</td> <td>0</td> </tr> <tr> <td>6</td> <td>ZIL MOP</td> <td>4580</td> <td>440</td> <td>5020</td> <td>0</td> </tr> <tr> <td>7</td> <td>FACT MOP</td> <td>0</td> <td>500</td> <td>500</td> <td>0</td> </tr> <tr> <td>8</td> <td>MCF MOP</td> <td>0</td> <td>5980</td> <td>5980</td> <td>0</td> </tr> <tr> <td>9</td> <td>CIL MOP</td> <td>1190</td> <td>13402</td> <td>14592</td> <td>540</td> </tr> <tr> <td colspan="2">Total</td> <td>12608</td> <td>51679</td> <td>59169</td> <td>4580</td> </tr> </tbody> </table>	Various Brands M.O.P.					S.No.	Name of the Company	Opening Stock (Bags)	Purchase of Goods (Bags)	Sales made (Bags)	Closing Stock (Bags)	1	PPL MOP	4000	2020	2020	4000	2	RCF MOP	3020	5317	8337	0	3	DFPCL MOP	1200	0	1200	0	4	KRIBCO MOP	20	0	0	0	5	IPL MOP	0	22940	22940	0	6	ZIL MOP	4580	440	5020	0	7	FACT MOP	0	500	500	0	8	MCF MOP	0	5980	5980	0	9	CIL MOP	1190	13402	14592	540	Total		12608	51679	59169	4580	<p>1. MOP is a product and 12030 Bags opening stock of MOP consists opening stock of all brands of MOP i.e. (PPL MOP, RCF MOP, DFPCL MOP, KRIBCO MOP, IPL MOP, ZIL MOP, FACT MOP, MCF MOP, CIL MOP) as shown in the reconciliation column serial no.1 in the same chart.</p> <p>2. AO wrongly considered MOP and its brands as different products and made addition of 12030 bags.</p>
Sl. No.	Product Name	Opening Stock (Quintals)	Purchase (Quintals)	Closing Stock (Quintals)	Amount	Remarks																																																																																			
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3	10.26.26	3	10.26.26	3	1418100	Whether the sales and closing stock is appearing in the financial statements. Deemed to be unexplained expenditure u/s 85C	NIL	NIL	NIL	NIL	NIL	Commodity (fertilizer) 10.26.26	<table border="1"> <thead> <tr> <th>S.No.</th> <th>Name of the Company</th> <th>Opening Stock (Bags)</th> <th>Purchase of Goods (Bags)</th> <th>Sales made (Bags)</th> <th>Closing Stock (Bags)</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>CIL 10.26.26 (50kg)</td> <td>1780</td> <td>200</td> <td>1780</td> <td>200</td> </tr> <tr> <td>2</td> <td>SPIC 10.26.26 (50kg)</td> <td>0</td> <td>800</td> <td>800</td> <td>0</td> </tr> <tr> <td>3</td> <td>IFFCO 10.26.26 (50kg)</td> <td>2500</td> <td>1000</td> <td>2500</td> <td>1000</td> </tr> <tr> <td>4</td> <td>ZACL 10.26.26 (50kg)</td> <td>9166</td> <td>0</td> <td>680</td> <td>8486</td> </tr> <tr> <td></td> <td>Total</td> <td>13306</td> <td>2080</td> <td>5900</td> <td>9086</td> </tr> </tbody> </table>	S.No.	Name of the Company	Opening Stock (Bags)	Purchase of Goods (Bags)	Sales made (Bags)	Closing Stock (Bags)	1	CIL 10.26.26 (50kg)	1780	200	1780	200	2	SPIC 10.26.26 (50kg)	0	800	800	0	3	IFFCO 10.26.26 (50kg)	2500	1000	2500	1000	4	ZACL 10.26.26 (50kg)	9166	0	680	8486		Total	13306	2080	5900	9086	<p>1. 10.26.26 is a product and 13506 Bags of opening stock of 10.26.26 consists of 4 brands such as CIL, 10.26.26, SPIC, 10.26.26, IFFCO, 10.26.26 and ZACL, 10.26.26. These 4 brands are under umbrella of product 10.26.26.</p> <p>2. The sum total of 4 brands of opening stock totals to 13506 bags and during the year assessee entered in purchase and sale transaction as mentioned in reconciliation column serial no.3 in the same chart.</p> <p>3. Therefore, the contention of AO about neither sales nor closing stock appearing in financials is incorrect.</p>	<p>1. 12.32.16 is the product and it has 2 different brand categories namely ZACL 12.32.16 and IFFCO 12.32.16</p> <p>2. AO considered 12.32.16, ZACL 12.32.16 and IFFCO 12.32.16 as 3 different products whereas 12.32.16 is the only product and ZACL, IFFCO are brands.</p> <p>3. AO did not consider the 3700 bags of sales of ZACL 12.32.16 and did not consider 1570 bags closing stock of ZACL 12.32.16. That is the reason the AO made an Addition of 5270 bags which is incorrect.</p>
S.No.	Name of the Company	Opening Stock (Bags)	Purchase of Goods (Bags)	Sales made (Bags)	Closing Stock (Bags)																																														
1	CIL 10.26.26 (50kg)	1780	200	1780	200																																														
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4	12.32.16	4	12.32.16	4	5111920	The closing stock as per the information submitted by assessee is appearing as 31500 quanta against the closing stock shown as 26200 quanta shown in trading account. Hence the difference of 49000 Quanta is missing as closing stock or sales. Unexplained Money u/s 85A	79580	62060	31630	NIL	Product "12.32.16"	<table border="1"> <thead> <tr> <th>S.No.</th> <th>Name of the Company</th> <th>Opening Stock (Bags)</th> <th>Purchase of Goods (Bags)</th> <th>Sales made (Bags)</th> <th>Closing Stock (Bags)</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>ZACL 12.32.16</td> <td>5270</td> <td>0</td> <td>3700</td> <td>1570</td> </tr> <tr> <td>2</td> <td>IFFCO 12.32.16</td> <td>9120</td> <td>79580</td> <td>62300</td> <td>26420</td> </tr> <tr> <td></td> <td>Total</td> <td>14390</td> <td>79580</td> <td>66000</td> <td>27990</td> </tr> </tbody> </table>	S.No.	Name of the Company	Opening Stock (Bags)	Purchase of Goods (Bags)	Sales made (Bags)	Closing Stock (Bags)	1	ZACL 12.32.16	5270	0	3700	1570	2	IFFCO 12.32.16	9120	79580	62300	26420		Total	14390	79580	66000	27990	<p>1. Super is the product and it consists of 4 brands namely Granular Super GFL, Granular Super CIL SSP-(P) GFL, SSP-(Powder) CIL.</p> <p>2. The 200 bags opening stock of Granular super CIL (CIL Super G) is included in the opening stock of super.</p> <p>3. Opening stock of Super consists 200 bags of Granular super CIL and 200 bags of SSP-(Powder) CIL(Super D.) The same can be observed from the Annexure 1</p>														
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5	CIL Super G	5	CIL Super G	5	76200	Actual closing stock was shown in Trading account as 1020 quanta against 830 as per purchase and sales. Hence there is hidden purchases of 200 quanta i.e., Unexplained expenditure u/s 85C.	3160	2340	620	NIL	Product "Super"	<table border="1"> <thead> <tr> <th>Name of the Company</th> <th>Opening Stock (Bags)</th> <th>Purchase of Goods (Bags)</th> <th>Sales made (Bags)</th> <th>Closing Stock (Bags)</th> </tr> </thead> <tbody> <tr> <td>Granular Super CIL</td> <td>200</td> <td>3160</td> <td>2340</td> <td>1000</td> </tr> </tbody> </table>	Name of the Company	Opening Stock (Bags)	Purchase of Goods (Bags)	Sales made (Bags)	Closing Stock (Bags)	Granular Super CIL	200	3160	2340	1000																													
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Granular Super CIL	200	3160	2340	1000																																															
6	ZIL 10.26.26	6	ZIL 10.26.26	6	610700	Without opening stock and purchase, sales and closing stock are appearing in Trading Account Inventory 9166 quanta of purchases are not shown which is unexplained Expenditure u/s 85C	NIL	680	8486	NIL	Commodity (fertilizer) 10.26.26	<table border="1"> <thead> <tr> <th>Name of the Company</th> <th>Opening Stock (Bags)</th> <th>Purchase of Goods (Bags)</th> <th>Sales made (Bags)</th> <th>Closing Stock (Bags)</th> </tr> </thead> <tbody> <tr> <td>ZACL 10.26.26 (50kg)</td> <td>9166</td> <td>0</td> <td>680</td> <td>8486</td> </tr> </tbody> </table>	Name of the Company	Opening Stock (Bags)	Purchase of Goods (Bags)	Sales made (Bags)	Closing Stock (Bags)	ZACL 10.26.26 (50kg)	9166	0	680	8486																													
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Sl. No.	Name of the Company	Product	Without sufficient particulars sales and trading account thereby 150 quanta of purchases suppressed which is unexplained expenditure u/s 68C.	Date	Page No.	Product "Super"			Remarks
						Opening Stock (Bags)	Purchase of Goods (Bags)	Closing Stock (Bags)	
7	CIL Super D	Product "Super"	Without sufficient particulars sales and trading account thereby 150 quanta of purchases suppressed which is unexplained expenditure u/s 68C.	7	200	0	200	0	<p>1. Super is the product and it consists of 4 brands namely Granular Super GFL, Granular Super CIL SSP-(P) GFL, SSP-(Powder) CIL.</p> <p>2. The 200 bags opening stock of SSP-(Powder) CIL (CIL Super D) is included in the opening stock of super.</p> <p>3. Opening stock of super consists 200 bags of Granular super CIL and 200 bags of SSP-(Powder) CIL.(Super D.) The same can be observed from the Annexure 1</p>
8	CIL MOP	Various Brands M.O.P.			1190	13402	14652	540	<p>1. AO considered CIL MOP and MOP as two different products, whereas CIL MOP is a brand category under MOP product.</p> <p>2. Therefore, Opening stock of CIL MOP is already included in the opening stock of MOP as mentioned in reconciliation column of serial no.1 in the same chart.</p> <p>3. The addition of 1190 bags made by the AO as suppression of Purchases is incorrect.</p>
		Name of the Company	Opening Stock (Bags)	Purchase of Goods (Bags)	Sales made (Bags)	Closing Stock (Bags)			
9	ZIL MOP	Various Brands M.O.P.			4500	440	5000	0	<p>1. AO considered ZIL MOP and MOP as two different products, whereas ZIL MOP is a brand category under MOP product.</p> <p>2. Therefore, Opening stock of ZIL MOP is already included in the opening stock of MOP as mentioned in reconciliation column of serial no.1 in the same chart.</p> <p>3. The addition of 4580 bags made by the AO as suppression of Purchases is incorrect.</p>
		Name of the Company	Opening Stock (Bags)	Purchase of Goods (Bags)	Sales made (Bags)	Closing Stock (Bags)			
10	RCF MOP	Various Brands M.O.P.			3020	5317	8337	0	<p>1. AO considered RCF MOP and MOP as two different products, whereas RCF MOP is a brand category under MOP product.</p> <p>2. Therefore, Opening stock of RCF MOP is already included in the opening stock of MOP as mentioned in reconciliation column of serial no.1 in the same chart.</p> <p>3. The addition of 3020 bags made by the AO as suppression of Purchases is incorrect.</p>
		Name of the Company	Opening Stock (Bags)	Purchase of Goods (Bags)	Sales made (Bags)	Closing Stock (Bags)			

11	IFFCO 10.26.26	11	IFFCO 10.26.26	Nil	1000	250	1000	245700	Without sufficient purchases sales and closing stock shown in trading account thereby 2000 quanta of purchases suppressed which is unexplained expenditure of Rs.600.	IFFCO 10.26.26 (500g)	Opening Stock (Bags)	Purchase of Goods (Bags)	Sales made (Bags)	Closing Stock (Bags)	<p>1. 10.26.26 is the product and it has 4 brands such as CL 10.26.26, SMC 10.26.26, IFFCO 10.26.26 and ZACL 10.26.26.</p> <p>2. The opening stock of IFFCO 10.26.26 is included in the product 10.26.26, the same can be observed from the reconciliation column of serial no.3 in the same chart.</p> <p>3. Therefore, the addition of 2500 bags made by the AO as suppression of purchases is incorrect.</p>
12	SIL 10.26.26	12	SIL 10.26.26	Nil	200	1700	200	170800	Without sufficient purchases sales and closing stock shown in trading account thereby 1700 quanta of purchases suppressed which is unexplained expenditure of Rs.600.	CL 10.26.26 (500g)	Opening Stock (Bags)	Purchase of Goods (Bags)	Sales made (Bags)	Closing Stock (Bags)	<p>1. 10.26.26 is the product and SIL 10.26.26 is one of the brand category.</p> <p>2. The opening stock 1780 bags of CL 10.26.26 is already included in the opening stock of 10.26.26. The same can be seen from reconciliation column of serial no.3 in the same chart.</p> <p>3. Therefore, the addition of 1780 bags made by AO as suppression of purchases is incorrect.</p>
13	Deepak MOP	13	Deepak MOP	Nil	1200	0	1200	61400	Without purchases sales shown in trading account thereby 1200 quanta of purchases suppressed which is unexplained expenditure of Rs.600.	Various Brands M.O.P.					<p>1. AO considered Deepak /DFPCL MOP and MOP as two different products, whereas DFPCL MOP is a brand category under MOP product.</p> <p>2. Therefore, Opening stock of DFPCL MOP is already included in the opening stock of MOP as mentioned in reconciliation column of serial no.1 in the same chart.</p> <p>3. Hence, the addition of 1200 bags made by AO as suppression of purchases is incorrect.</p>
14	KRIBICO MOP	14	KRIBICO MOP	Nil	20	0	20	1000	Without purchases sales shown in trading account thereby 20 quanta of purchases suppressed which is unexplained expenditure of Rs.600.	Various Brands M.O.P.					<p>1. AO considered KRIBICO MOP and MOP as two different products, whereas KRIBICO MOP is a brand category under MOP product.</p> <p>2. Therefore, Opening stock of KRIBICO MOP is already included in the opening stock of MOP as mentioned in reconciliation column of serial no.1 in the same chart.</p> <p>3. Hence, the addition of 20 bags made by AO as suppression of purchases is incorrect.</p>

15	ZM 12.32.16	15	ZL 12.32.16	NI	NI	NI	570	1570	570	1570	570	1570
<p>Amount of purchases sales and closing stock shown in trading account therein 570 units of purchases suppressed which is unexplained expenditure to Rs.</p>												
Product "12.32.16"												
S.No.	Name of the Company	Opening Stock (Bags)	Purchase of Goods (Bags)	Sales made (Bags)	Closing Stock (Bags)							
1	ZACL 12.32.16	570	0	300	1,570							

1. 12.32.16 is the product and it has 2 different brand categories namely ZACL 12.32.16 and IFCCO 12.32.16  
 2. AO considered 12.32.16, ZACL 12.32.16 and IFCCO 12.32.16 as 3 different products whereas 12.32.16 is the only product and ZACL, IFCCO are brands. The same is given in reconciliation column of serial no.4 in the same chart.  
 3. AO did not consider the 570 bags of opening stock of ZACL 12.32.16 and made an addition which is incorrect.

23. We find on a perusal of the controversy in hand in the backdrop of the aforesaid reconciliation filed before us, that there is substance in the explanation of the assessee. As observed hereinabove, the assessee's claims that the impugned discrepancy had surfaced because the brand/sub-heads of the parent items traded by the assessee had separately been considered by the A.O. as against the parent items. For instance, the A.O., while drawing an adverse inference for one of the parent product, i.e., MOP, had observed that though the "opening stock" as on 01.04.2016 of MOP on was 12,030 bags (valued at Rs. 85,41,300/-), but, the same was neither disclosed as part of the "sales" nor the "closing stock" as on 31.03.2007. Now, the reason for the aforesaid discrepancy, as had been brought to our notice by the Ld. AR is that though the A.O. had considered the "opening stock" of the parent item, i.e., MOP, but had lost sight of the sales/closing stock of the various brands/sub-heads of the said parent product that were disclosed by the assessee, i.e., PPL MOP, RCF MOP, DFPCL MOP, Kribco MOP, IPL MOP, ZIL MOP, FACT MOP, MCF MOP, and CIL MOP. We find on a single glance of the "Fertilizers Trading Account", that the "opening stock" of MOP on 01.04.2016 disclosed at 12,030 bags

(comprised of various brands), had thereafter based on purchases (51,679 bags of different brands of MOP) and sales (59,169 bags of different brands of MOP) explained for itself the “closing sock” of 4,540 bags of MOP on 31.03.2017 disclosed by the assessee, viz. (i). PPL MOP: 4000 bags; and (ii) CIL MOP: 540 bags). However, we find that the A.O. had not only confined the alleged discrepancy to the parent item, i.e., MOP, by alleging suppression of the “closing stock” of 12,030 bags as on 31.03.2017, but his failure in correctly appreciating the factual position of the quantitative details of the parent item/brand-wise products had extended by way of alleged inferences qua the brands/sub-head items also. For instance, the A.O., in the context of the brand/sub-head item, i.e., PPL-MOP, by taking its “opening stock” at nil, had observed that the assessee had suppressed the closing stock or sales of 1930 bags of the said item. The alleged discrepancy finds its roots in the failure of the A.O. in not appreciating that the 12,030 bags of “opening stock” of MOP (parent item) was comprised of 2020 quintals of PPL-MOP, (a brand item of MOP). We, thus, are of a firm conviction that the glaringly distorted quantitative facts/figures taken by the A.O. had resulted to the drawing of the alleged discrepancies in the form of

suppression of purchases, sales, and closing stock aggregating to Rs. 5.19 crore (supra) in the hands of the assessee.

24. We are unable to comprehend the very basis for the adoption of the distorted figures by the A.O., based on which he has drawn adverse inferences, both regarding the parent items and the brands/sub-heads (of the parent items) in the hands of the assessee, resulting to an exorbitant addition of Rs. 5.19 crore (supra) in the hands of the assessee.

25. Also, we find that the assessee, to substantiate his aforesaid claim, had filed before the CIT(A) the summary of his purchases/sales turnover for the subject year as was disclosed in his VAT returns, along with copies of the same. We find on a perusal of the summary of the turnover report of the VAT returns filed by the assessee for the F.Y. 2016-17 that the same duly supports the purchases/sales disclosed by the assessee during the subject year.

26. We thus, in terms of our deliberations, are unable to fathom the very basis on which the A.O. had inferred suppression of purchases, sales and closing stock in the hands of the assessee,

that had resulted to an addition of Rs. 5.19 crore (supra) in his hands.

27. Although, we find that the alleged discrepancy, i.e, the suppression of the purchases/sales/closing stock based on which the impugned addition of Rs. 5.19 crore (supra) had been made by the A.O. finds its roots in his failure to correctly appreciate the facts of the case as were discernible from the record available him, and thus, the same cannot be sustained, but for the sake of completeness, we deem it apposite to deal with the adverse inferences drawn by the A.O regarding each of the parent item and their corresponding brands/sub-heads and record our observations, as under:

	<b><u>OBERVATIONS</u></b>
	(Based on a conjoint perusal of the “Fertilizer trading A/c” and the Reconciliation /Explanation of the assessee)
MOP	1. We find that the “Opening stock” of 12030 bags of “MOP” (parent product) comprises of various brands (recorded by the assessee manufacturer-wise), viz. (i). PPL MOP; (ii). RCF MOP; (iii). DFPCL MOP; (iv). KRIBHCO MOP; (v). IPL MOP; (vi). ZIL MOP; (vii).

	<p>FACT MOP; (viii). MCF MOP; and (ix). CIL MOP.</p> <p>2. We find that though the assessee had disclosed the “Opening stock” consolidatedly, but, the “closing stock” was bifurcated based on manufacturer/brand wise details.</p> <p>3. The A.O., mistakenly, considered MOP <u>and</u> its various brands as different products and thus, lost sight of the purchases, sales and closing stock reflected under the various brands of MOP, and wrongly observed that the assessee had suppressed the sales/closing stock of MOP and on the said count made an addition of Rs. 85,41,300/-</p> <p>4. We find that on a consolidation of the quantitative details of the opening stock, purchases, sales, and closing stock of MOP and its aforesaid brands (as can be gathered from the “Fertilizer trading A/c and the reconciliation filed by the assessee), there is no suppression of the Sales/Closing stock of MOP. <b>We, thus, direct the A.O. to delete the addition of Rs. 85,41,300/- made by him u/s 69C of the Act.</b></p>
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PPL MOP	<ol style="list-style-type: none"><li>1. The A.O., mistakenly, considered PPL MOP and MOP as two different products, whereas PPL is a brand of the MOP product (parent product). Thus, the A.O lost sight of the fact that as the “Opening stock” on 01.04.2016 of 2020 bags of PPL MOP was already included in the “Opening Stock” of 12030 bags of MOP (parent product) on 01.04.2016, therefore, the assessee had an actual “Closing stock” of 4000 bags on 31.03.2017.</li><li>2. The A.O. had based on his wrong observation, concluded that the assessee had suppressed his sales/closing stock of 1930 bags and thus, on the said count, made an addition of Rs. 10,27,725/-.</li><li>3. We find that as the A.O had lost sight of the “Opening stock” of 2020 bags of PPL MOP that formed part of “Opening Stock” of 12030 bags MOP (parent product) (as can be gathered from the “Fertilizer trading A/c” and the reconciliation filed by the assessee), there is no suppression of the Sales/Closing stock of PPL MOP. <b>We, thus, direct the A.O. to delete the addition of Rs. 10,27,725/-</b></li></ol>
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	<b>made by him u/s 69A of the Act.</b>
10.26.26	<ol style="list-style-type: none"> <li>1. We find that the “Opening stock” of 13506 bags of “10.26.36” (parent product) comprises of four brands (recorded by the assessee manufacturer-wise), viz. (i). CIL 10.26.26; (ii). SPIC 10.26.26; (iii). IFFCO 10.26.26; and (iv). ZACL 10.26.26.</li> <li>2. We find that though the assessee had disclosed the “Opening stock” of 10.26.26 (parent product) and its brands consolidatedly, but, the “closing stock” was bifurcated based on manufacturer/brand wise details.</li> <li>3. The A.O., mistakenly considered 10.26.26 (parent product) <u>and</u> its brands as different products, and thus, lost sight of the corresponding purchases, sales and closing stock reflected under the aforesaid 4 brands of 10.26.26 (parent product), and wrongly observed that the assessee had suppressed its Sales/Closing stock of 10.26.26 (parent product) and made an addition on the said count of Rs. 1,41,81,300/-</li> <li>4. We find that on a consolidation of the quantitative details of the opening stock, purchases, sales, and closing stock of 10.26.26</li> </ol>

	<p>(parent product) and its aforesaid brands (as can be gathered from the “Fertilizer trading A/c” and the reconciliation filed by the assessee), there is no suppression of the Sales/Closing stock of 10.26.26. <b>We, thus, direct the A.O to delete the addition of Rs. 1,41,81,300/- made by him u/s 69C of the Act.</b></p>
12.32.16	<ol style="list-style-type: none"> <li>1. We find that the “Opening stock” of 14390 bags of “12.32.16” (parent product) comprises of two brands (recorded by the assessee manufacturer-wise), viz. (i). ZIL 12.32.16; and (iv). IFFCO 12.32.16.</li> <li>2. We find that the A.O had observed that though the “Closing Stock” as per the information submitted by the assessee is appearing at 31690 bags, but, the same had been disclosed by him in his “trading account” at 26420 bags. Accordingly, the A.O. observing the suppression of the “Closing stock” by 5270 bags [31690 bags (-) 26420 bags] made an addition of Rs. 51,11,900/- under Section 69A of the Act.</li> <li>3. We find substance in the Ld. AR’s claim that though the A.O had considered the sale of IFFCO</li> </ol>

12.32.16 of 62580 bags, but had failed to consider the "Sales" of ZIL 12.32.16 (3700 bags) and also the "Closing stock" of ZIL 12.32.16 (1570 bags). The A.O., mistakenly, had considered only the "Closing Stock" of IFFCO 12.32.16 of 26,420 bags on 31.03.2017. Accordingly, after considering, viz. (i) "Sales" of ZIL 12.32.16 (3700 bags); and (ii). "Closing Stock" of ZIL 12.32.16 (1570 bags) the "Closing Stock" of 12.32.16 (parent product) on 31.03.2017 works out at 27,990 bags.

[Op. Stock: 14,390 bags (+)  
Purchases: 79,880 bags (-) Sales:  
66,280 bags = Closing Stock:  
27,990 bags].

4. We, thus, considering the fact that the assessee had disclosed "Closing stock" of 12.32.16 of 27,990 bags, viz. [(i). ZIL 12.32.16: 1570 bags (+) IFFCO 12.32.16: 26420 bags AND that the A.O had not taken cognizance of the "Sales" of ZIL 12,32.16 (3700 Qtl), had wrongly observed that there was a suppression of 5270 Qtl of "Closing Stock" of 12.23.16, **direct the A.O to vacate the addition of Rs. 51,11,900/- made by him u/s 69A of the Act based on his aforesaid wrong observations.**

<p>CIL Super G (sub-product of SUPER)</p>	<ol style="list-style-type: none"><li>1. The A.O., mistakenly, considered CIL Super G (brand) and SUPER (parent product) as two different products, whereas CIL Super G is a brand of the SUPER product (parent product). Thus, the A.O had lost sight of the fact that as the “Opening stock” on 01.04.2016 of 200 bags of CIL Super G was already included in the “Opening Stock” of 400 bags of SUPER (parent product) on 01.04.2016, therefore, the assessee had an actual “Closing stock” of 1020 bags of CIL Super G on 31.03.2017.</li><li>2. The A.O. had based on his wrong observation, concluded that the assessee had made unaccounted purchases of 200 bags of CIL Super G and thus, on the said count made an addition of Rs. 76,000/-.</li><li>3. We find that as the A.O had lost sight of the “Opening stock” of 200 bags of CIL Super G [that formed part of “Opening Stock” of 400 bags of SUPER (parent product) (as can be gathered from the “Fertilizer trading A/c” and the reconciliation filed by the assessee), therefore, the “Closing stock” of 1020 bags of CIL Super G is found to be duly explained. <b>We, thus, direct the</b></li></ol>
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	<b>A.O. to delete the addition of Rs. 76,000/- made by him u/s 69C of the Act.</b>
ZIL 10.26.26	<ol style="list-style-type: none"> <li data-bbox="683 449 1284 1129">1. The A.O., mistakenly, considered ZIL 10.26.26 and 10.26.26 as two different products, whereas ZIL 10.26.26 is a brand of the 10.26.26 product (parent product). Thus, the A.O lost sight of the fact that as the “Opening stock” on 01.04.2016 of 9166 bags of ZIL 10.26.26 was already included in the “Opening Stock” of 13506 bags of 10.26.26 (parent product) on 01.04.2016, therefore, the assessee had a duly explained “Sales” of 680 bags and “Closing stock” of 8486 bags on 31.03.2017.</li> <li data-bbox="683 1184 1284 1650">2. The A.O. had based on his wrong observation, concluded that the assessee had incurred unexplained expenditure of Rs. 87,07,700/- for purchase of 9166 bsags of ZIL 10.26.26 (disclosed by him as Sales (680 bags) and Closing Stock (8486 bags)] and thus, on the said count made an addition of Rs. 87,07,700/- u/s 69C of the Act.</li> <li data-bbox="683 1696 1284 1856">3. We find that as the A.O had lost sight of the “Opening stock” of 9166 bags of ZIL 10.26.26 [that formed part of “Opening Stock”</li> </ol>

	<p>of 13506 bags of 10.26.26 (parent product) (as can be gathered from the “Fertilizer trading A/c and the reconciliation filed by the assessee), there is no unaccounted purchases of ZIL 10.26.26. <b>We, thus, direct the A.O. to delete the addition of Rs. 87,07,700/- made by him u/s 69C of the Act.</b></p>
<p>CIL SUPER D (sub-product of SUPER)</p>	<ol style="list-style-type: none"> <li>1. The A.O., mistakenly, considered CIL Super D (brand) and SUPER (parent product) as two different products, whereas CIL Super D is a brand of the SUPER product (parent product). Thus, the A.O. lost sight of the fact that as the “Opening stock” on 01.04.2016 of 200 bags of CIL Super D was already included in the “Opening Stock” of 400 bags of SUPER (parent product) on 01.04.2016, therefore, the assessee had sold 200 bags of CIL Super D during the subject year from the duly explained “Opening stock” that was available with him on 01.04.2016.</li> <li>2. The A.O. had based on his wrong observation, concluded that the assessee had incurred unaccounted expenditure for purchase of 200 bags of CIL Super D that were sold by him</li> </ol>

	<p>during the subject year and thus, on the said count had made an addition of Rs. 64,762/-.</p> <p>3. We find that as the A.O had lost sight of the “Opening stock” of 200 bags of CIL Super D that formed part of “Opening Stock” of 400 bags of SUPER (parent product) (as can be gathered from the “Fertilizer trading A/c” and the reconciliation filed by the assessee), therefore, the sale of 200 bags of CIL Super D is duly explained. <b>We, thus, direct the A.O. to delete the addition of Rs. 64,762/- made by him u/s 69C of the Act.</b></p>
CIL MOP	<p>1. The A.O., mistakenly, considered CIL MOP and MOP as two different products, whereas CIL MOP is a brand of the MOP product (parent product). Thus, the A.O lost sight of the fact that as the “Opening stock” on 01.04.2016 of 1190 bags of CIL MOP was already included in the “Opening Stock” of 12030 bags of MOP (parent product) on 01.04.2016, therefore, the “Sales” (14052 bags) and “Closing Stock” on (540 bags) of CIL MOP by the assessee during the subject year was sourced out of the “Opening stock” (1190</p>

	<p>bags)) and “Purchases” (13402 bags) for the subject year.</p> <p>2. The A.O. had based on his wrong observation concluded that the assessee had incurred unexplained expenditure for purchase of 1190 bags of CIL MOP and thus, on the said count had made an addition of Rs. 5,95,000/-.</p> <p><b>3. We find that as the A.O had lost sight of the “Opening stock” of 1190 bags of CIL MOP that formed part of “Opening Stock” of 12030 bags of MOP (parent product) (as can be gathered from the “Fertilizer trading A/c” and the reconciliation filed by the assessee), there is no unaccounted expenditure incurred by him for purchase of 1190 bags. of CIL MOP. <b>We, thus, direct the A.O. to delete the addition of Rs. 5,95,000/- made by him u/s 69C of the Act.</b></b></p>
ZIL MOP	<p>1. The A.O., mistakenly, considered ZIL MOP and MOP as two different products, whereas ZIL MOP is a brand of the MOP product (parent product). Thus, the A.O lost sight of the fact that as the “Opening stock” on 01.04.2016 of 4580 bags of ZIL</p>

	<p>MOP was already included in the “Opening Stock” of 12030 bags of MOP (parent product) on 01.04.2016, therefore, the “Sales” (5020 bags) of ZIL MOP by the assessee was sourced out of the “Opening stock” (4580 bags)) and “Purchases” (440 bags) for the subject year.</p> <p>2. The A.O. had based on his wrong observation, concluded that the assessee had incurred unexplained expenditure for purchase of 4580 bags of ZIL MOP and thus, on the said count had made an addition of Rs. 23,31,273/-.</p> <p>3. We find that as the A.O had lost sight of the “Opening stock” of 4580 Qtls of ZIL MOP that formed part of “Opening Stock” of 12030 bags MOP (parent product) (as can be gathered from the “Fertilizer trading A/c” and the reconciliation filed by the assessee), there is no unaccounted expenditure incurred by the assessee for purchase of 4580 Qtls. of ZIL MOP. <b>We, thus, direct the A.O. to delete the addition of Rs. 23,31,273/- made by him u/s 69C of the Act.</b></p>
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RCF MOP	<ol style="list-style-type: none"><li data-bbox="686 281 1284 1050">1. The A.O., mistakenly, considered RCF MOP and MOP as two different products, whereas RCF MOP is a brand of the MOP product (parent product). Thus, the A.O lost sight of the fact that as the “Opening stock” on 01.04.2016 of 3020 bags of RCF MOP was already included in the “Opening Stock” of 12030 bags of MOP (parent product) on 01.04.2016, therefore, the “Sales” (8337 bags) of RCF MOP by the assessee was sourced out of the “Opening stock” (3020 bags)) and “Purchases” (5317 bags) for the subject year.</li><li data-bbox="686 1100 1284 1438">2. The A.O. had based on his wrong observation, concluded that the assessee had incurred unexplained expenditure for the purchase of 4580 bags of RCF MOP and thus, on the said count had made an addition of Rs. 14,86,418/-.</li><li data-bbox="686 1488 1284 1858">3. We find that as the A.O had lost sight of the “Opening stock” of 3020 bags of RCF MOP [that formed part of “Opening Stock” of 12030 bags MOP (parent product) (as can be gathered from the “Fertilizer trading A/c” and the reconciliation filed by the assessee), there is no</li></ol>
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	<p>unaccounted expenditure incurred by the assessee for purchase of 3020 bags of RCF MOP. <b>We, thus, direct the A.O. to delete the addition of Rs. 14,86,418/- made by him u/s 69C of the Act.</b></p>
<p>IFFCO 10.26.26</p>	<ol style="list-style-type: none"> <li>1. The A.O., mistakenly, considered IFFCO 10.26.26 and 10.26.26 as two different products, whereas IFFCO 10.26.26 is a brand of the 10.26.26 product (parent product). Thus, the A.O lost sight of the fact that as the “Opening stock” on 01.04.2016 of 2560 bags of IFFCO 10.26.26 was already included in the “Opening Stock” of 13506 bags. of 10.26.26 (parent product) on 01.04.2016, therefore, the “Sales” (2560 bags) and “Closing Stock” (1000 bags) of IFFCO 10.26.26 were sourced out of the “Opening Stock” (2560 bags) and “Purchases” (1000 bags).</li> <li>2. The A.O. had based on his wrong observation, concluded that the assessee had incurred unexplained expenditure of Rs. 24,57,600/- for purchase of 2560 bags of IFFCO 10.26.26 (disclosed by him as Sales (2560 bags) and Closing Stock (1000 bags) and thus, on the said count had made an addition of</li> </ol>

	<p>Rs. 24,57,600/- u/s 69C of the Act.</p> <p>3. We find that as the A.O had lost sight of the “Opening stock” of 2560 Qtl of IFFCO 10.26.26 that formed part of “Opening Stock” of 13506 bags of 10.26.26 (parent product) (as can be gathered from the “Fertilizer trading A/c” and the reconciliation filed by the assessee), there is no unaccounted purchases of IFFCO 10.26.26. <b>We, thus, direct the A.O. to delete the addition of Rs. 24,57,000/- made by him u/s 69C of the Act.</b></p>
CIL 10.26.26	<p>4. The A.O., mistakenly, considered CIL 10.26.26 and 10.26.26 as two different products, whereas CIL 10.26.26 is a brand of the 10.26.26 product (parent product). Thus, the A.O lost sight of the fact that as the “Opening stock” on 01.04.2016 of 1780 bags of CIL 10.26.26 was already included in the “Opening Stock” of 13506 bags. of 10.26.26 (parent product) on 01.04.2016, therefore, the “Sales” (1780 bags) and “Closing Stock” (200 bags) of CIL 10.26.26 were sourced out of the “Opening Stock” (1780 bags) and “Purchases” (200 bags).</p>

	<p>5. The A.O. had based on his wrong observations, concluded that the assessee had incurred unexplained expenditure of Rs. 17,08,800/- for purchase of 1780 bags of CIL 10.26.26 and thus, on the said count had made an addition of Rs. 17,08,800/- u/s 69C of the Act.</p> <p>6. We find that as the A.O had lost sight of the “Opening stock” of 1780 bags of CIL 10.26.26 [that formed part of “Opening Stock” of 13506 bags of 10.26.26 (parent product) (as can be gathered from the “Fertilizer trading A/c” and the reconciliation filed by the assessee), there is no unaccounted purchases of CIL 10.26.26. <b>We, thus, direct the A.O. to delete the addition of Rs. 17,08,800/- made by him u/s 69C of the Act.</b></p>
DFPCL MOP	<p>1. The A.O., mistakenly, considered Deepak MOP (DFPCL) and MOP as two different products, whereas DFPCL MOP is a brand of the MOP product (parent product). Thus, the A.O had lost sight of the fact that as the “Opening stock” on 01.04.2016 of 1200 bags of DFPCL MOP was already included in the “Opening</p>

	<p>Stock” of 12030 bags of MOP (parent product) on 01.04.2016, therefore, the “Sales” (1200 bags) of DFPCL MOP by the assessee was sourced out of the “Opening stock” (1200 bags) for the subject year.</p> <p>2. The A.O. had based on his wrong observation, concluded that the assessee had incurred unexplained expenditure for the purchase of 1200 bags of DFPCL MOP and thus, on the said count had made an addition of Rs. 6,04,000/-.</p> <p>3. We find that as the A.O had lost sight of the “Opening stock” of 1200 bags of DFPCL MOP that formed part of “Opening Stock” of 12030 bags MOP (parent product) (as can be gathered from the “Fertilizer trading A/c” and the reconciliation filed by the assessee), there is no unaccounted expenditure incurred by the assessee for purchase of 1200 bags of DFPCL MOP. <b>We, thus, direct the A.O. to delete the addition of Rs. 6,04,000/- made by him u/s 69C of the Act.</b></p>
Kribhco MOP	4. The A.O., mistakenly, considered KRIBCCO MOP and MOP as two different products,

whereas KRIBHCO MOP is a brand of the MOP product (parent product). Thus, the A.O had lost sight of the fact that as the "Opening stock" on 01.04.2016 of 20 bags of KRIBHCO MOP was already included in the "Opening Stock" of 12030 bags of MOP (parent product) on 01.04.2016, therefore, the "Sales" (20 bags) of KRIBHCO MOP by the assessee was sourced out of the "Opening stock" (20 bags) for the subject year.

5. The A.O. had based on his wrong observation, concluded that the assessee had incurred unexplained expenditure for purchase of 20 bags of KRIBHCO MOP and thus, on the said count made an addition of Rs. 14,000/-.

6. We find that as the A.O had lost sight of the "Opening stock" of 20 bags of KRIBHCO MOP that formed part of the "Opening Stock" of 12030 bags MOP (parent product) (as can be gathered from the "Fertilizer trading A/c" and the reconciliation filed by the assessee), there is no unaccounted expenditure incurred by him for purchase of

	<p>20 bags of KRIBHCO MOP. <b>We, thus, direct the A.O. to delete the addition of Rs. 14,000/- made by him u/s 69C of the Act.</b></p>
ZIL 12.32.16	<ol style="list-style-type: none"> <li>1. The A.O., mistakenly, considered ZIL 12.32.16 and 12.32.16 as two different products, whereas ZIL 12.32.16 MOP is a brand of the 12.32.16 product (parent product). Thus, the A.O lost sight of the fact that as the “Opening stock” on 01.04.2016 of 5270 bags of ZIL 12.32.16 was already included in the “Opening Stock” of 14390 bags of 12.32.16 (parent product) on 01.04.2016, therefore, the “Sales” (3700 bags) and “Closing Stock” (1570 bags) of ZIL 12.32.16 were sourced out of the “Opening stock” (5270 bags) for the subject year.</li> <li>2. The A.O. had based on his wrong observations, concluded that the assessee had incurred unexplained expenditure for purchase of 5270 bags of ZIL 12.32.16 and thus, on the said count made an addition of Rs. 50,04,821/-.</li> <li>3. We find that as the A.O had lost sight of the “Opening stock” of</li> </ol>

	<p>5270 bags of ZIL 12.32.16 that formed part of "Opening Stock" of 14390 bags of 12.32.16 (parent product) (as can be gathered from the "Fertilizer trading A/c and the reconciliation filed by the assessee), there is no unaccounted expenditure incurred by him for purchase of 5270 bags of ZIL 12.32.16. <b>We, thus, direct the A.O. to delete the addition of Rs. 50,04,821/- made by him u/s 69C of the Act.</b></p>
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Accordingly, we not being able to persuade ourselves to concur with the view taken by the A.O., herein set aside the order passed by the CIT(A) and vacate the addition of Rs. 5.19 crore (supra) made in the hands of the assessee.

28. Resultantly, the appeal filed by the assessee is allowed in terms of our aforesaid observations.

Order pronounced in the Open Court on 3<sup>rd</sup> September, 2025.

<p style="text-align: center;"><b>Sd/-</b> (मंजूनाथ जी) (MANJUNATHA G.) <b>लेखा सदस्य/ACCOUNTANT MEMBER</b></p>	<p style="text-align: center;"><b>Sd/-</b> (श्री रवीश सूद) (RAVISH SOOD) <b>न्यायिक सदस्य/JUDICIAL MEMBER</b></p>
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Hyderabad, dated 03.09.2025.

**\*\*TYNM/sps**

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

1.	निर्धारिती/The Assessee	:	Gangadhar Agarwal, C/o. P. Murali & Co., Chartered Accountants, 6-3-655/2/3, Somajiguda, Hyderabad – 500082.
2.	राजस्व/ The Revenue	:	The Income Tax Officer, Ward – 1, Nizamabad.
3.	The Principal Commissioner of Income Tax, Hyderabad.		
4.	विभागीयप्रतिनिधि, आयकर अपीलीय अधिकरण, हैदराबाद / DR, ITAT, Hyderabad		
5.	गार्डफ़ाईल / Guard file		

आदेशानुसार / BY ORDER

Sr. Private Secretary  
ITAT, Hyderabad