

IN THE INCOME TAX APPELLATE TRIBUNAL "RANCHI BENCH", RANCHI
BEFORE SHRI SONJOY SARMA, JM
&
SHRI RATNESH NANDAN SAHAY, AM
(THROUGH HYBRID MODE)

आयकर अपील सं./ITA No.86/RAN/2024

(निर्धारण वर्ष / Assessment Year :2018-2019)

Aloke Steels Industries Private Limited, 17 th Floor, R.N.8-33A, Jawaharlal Nehru Road, Kolkata-700071	Vs.	ACIT, Central Circle-1, Ranchi
स्थायी लेखा सं./PAN No. : AAECA 7250 R		
(अपीलार्थी /Appellant)	..	(प्रत्यर्थी / Respondent)

निर्धारिती की ओर से /Assessee by	:	Shri Devesh Poddar, Advocate
राजस्व की ओर से /Revenue by	:	Shri Khubchand T. Pandya, Sr.DR

सुनवाई की तारीख / Date of Hearing	:	28/08/2025
घोषणा की तारीख/Date of Pronouncement	:	09/10/2025

आदेश / O R D E R

Per Sonjoy Sarma, JM :

The above captioned appeal is filed by the assessee against the order dated 05.03.2024, passed by the Id. CIT(A), Patna-3 for the assessment year 2018-2019.

2. The sole issue involved in the present appeal of the assessee is against confirming the addition of Rs.34,17,679/- made by the AO alleging the difference/shortage in physical stocks found during the survey proceedings on 01.11.2017.

3. The assessee is a company engaged in the business of manufacturing and trading of sponge iron. A survey in case of the assessee

was conducted on 01.11.2017. Subsequently, the assessee filed its return of income on 12.10.2018 declaring total income at Rs. 5,28,54,750/-. The return of the assessee was selected for compulsory scrutiny and notice u/s 143(2) of the Act was issued. Further, notices u/s 142(1) were also issued which were duly complied. During the course of assessment proceedings, it has been noted by the AO that in the survey proceedings, the shortage in stock of sponge iron, iron ore, coal dolomite to the tune of 7.82MT, 14693.37MT, 7487.69MT and 137.85MT was found. Accordingly, considering the GP of the assessee on the aforesaid items, the AO completed the assessment on 21.06.2021 u/s 143(3) of the Act determining the total income of Rs.5,62,72,430/-, thereby added the amount of Rs.9,881/-, Rs.25,95,583/-, Rs.8,07,907/- and Rs.4,308/- totaling to Rs.34,17,679/- to the income of the assessee. Aggrieved by the order of the AO, the assessee approached to the Id.CIT(A) where the appeal of the assessee was dismissed by sustaining the order of the AO without looking into the facts and submissions made by the assessee. Aggrieved by the order, the assessee is in further appeal before the Tribunal.

4. Ld. AR before us submitted that the impugned order passed by the Id. CIT(A) sustaining the assessment order framed by the AO was bad in law as in the case of the assessee the alleged additions were made only on the basis of statement recorded during the survey proceedings and the difference in the stock as per books and valuation report, therefore, the alleged addition cannot be sustained unless the same is supported with some credible evidence being brought on record by the AO. In the present

case, no credible information brought on record, therefore, the impugned addition made by the AO and sustained by the Id.CIT(A) is liable to be set aside. On this context, Id. AR relied on the decision of the coordinate bench of the Tribunal in the case of Glitter Jewels, passed in ITA No.2534/Mum/2021, order dated 17.01.2023, wherein it was held that :-

12. As regards the difference in stock of gold, the assessee submitted that it is a manufacturer of gold jewellery and purchases raw gold or gold of high purity and utilises the same to make jewellery after mixing gold with a certain prescribed amount of alloy. Because of this process, gross weight as per the books of account would not tally with the gross weight of gold as per the stock as there will be an element of mixing of alloy that requires to be considered. The AO rejected the submission of the assessee merely on the basis that the assessee did not make a similar claim at the time of the survey and preparation of the valuation report, therefore, this fact cannot be verified now at the time of assessment. The learned CIT(A) allowed the appeal filed by the assessee on this aspect after considering the BIS standards, in which it was provided that in the process of making 22 karat, 18 karat, 14 karat and 10 karat gold jewellery, there is a mixture of alloy. The relevant findings of the learned CIT(A) in this regard are as under:

"In the Appellate Proceedings it was noticed that there was a difference in weight of gold between the stock book of the appellant and the valuation report by the government approved valuer of 2162.3 grams. From the valuation report of the government approved valuer total weight of 18kt / 14kt and 10 kt has been taken by government approved valuer as the total weight of pure gold and the percentage of alloy has been ignored. However from the BIS standards it is clear that in the process of making 18 kt., 14 kt. and 10 Kt. Jewellery there is a mixture of Alloy.

As per the submissions of the appellant 2162.76 gms. of alloy was used in the manufacturing of the 18kt, 14 and 10 kt jewellery which is in line with the usage of alloy as per BIS standards.

If the above mentioned 2162.76 gms is added to the weight as per the stock book of the appellant of 11891.13 grams, the difference between the total weight as per the stock books of the appellant and the weight as per the government approved valuer is matching with a difference of only 0.46 grams which is rounded off to 1 grams approx."

13. It is evident from the record that the process of manufacturing of gold jewellery from raw gold or gold of high purity as explained in assessee's submission is not disputed. In its submission, the

assessee has categorised the percentage of actual gold as well as the percentage of the material used for manufacturing of 24 karat, 22 carat, 18 karat, 14 karat and 12 karat gold jewellery. As noted above, the learned CIT(A) after considering the manufacturing process as explained by the assessee, in view of the BIS standards, concluded that the total weight as per the stock books of the assessee and weight as per government-approved valuer is matching with the difference of 0.46 g which is round of to 1 gram approximately. Further, from the valuation report, which is on pages no. 45-51 of the paper book, it is also evident that the gold jewellery noted by the government valuer is of varying purity levels, i.e 18 karat, 14 karat, etc. Thus, in view of the above, we find no infirmity in the impugned order passed by the learned CIT(A) on this aspect.

14. Therefore, in view of the above, we are of the considered opinion that merely on the basis of the statement recorded during the survey, and the difference in stock as per books and valuation report, the addition cannot be sustained unless the same is supported with some credible evidence being brought on record. Accordingly, the impugned order passed by the learned CIT(A) is upheld and grounds raised by the Revenue are dismissed.

5. On the other hand, Id. Sr. DR supported the decision of the authorities below and prayed before this bench to sustain the addition made by the AO and confirmed by the Id. CIT(A).

6. We after hearing the rival submissions of the parties and perusing the material available on record, find that in the present case although the alleged addition was made by the AO and sustained by the Id.CIT(A) on the basis of statement recorded during the survey operation without bringing any credible evidence in support of the same, in such a situation, the addition is bad in law until and unless supported by some credible evidence being brought on record. Accordingly, we find that the impugned addition made by the AO and sustained by the Id. CIT(A) is bad in law. In this connection we also consider the decision of ITAT Mumbai Bench of the Tribunal in the case of Glitter Jewel (supra), wherein the coordinate bench of the Tribunal held that without credible evidence being brought on record,

no addition can be made. Respectfully following the decision of the coordinate bench of the Tribunal, we find that in the instant case the addition made by the AO is bad in law since no credible evidence is brought on record to show that there was a difference in stock as per books and valuation report. Accordingly, we delete the addition made by the AO and confirmed by the Id. CIT(A) by setting aside the orders of the authorities below.

7. In terms of the above, appeal of the assessee is allowed.

Order pronounced on 09/10/2025.

Sd/-
(RATNESH NANDAN SAHAY)

लेखा सदस्य / ACCOUNTANT MEMBER

Sd/-
(SONJOY SARMA)

न्यायिक सदस्य / JUDICIAL MEMBER

राँची Ranchi; दिनांक Dated 09/10/2025

Prakash Kumar Mishra, Sr.P.S.

आदेश की प्रतिलिपि अग्रेषित/Copy of the Order forwarded to :

1. अपीलार्थी / The Appellant- .
2. प्रत्यर्थी / The Respondent-
3. आयकर आयुक्त(अपील) / The CIT(A),
4. आयकर आयुक्त / CIT
5. विभागीय प्रतिनिधि, आयकर अपीलीय अधिकरण, राँची / DR, ITAT, Ranchi
6. गार्ड फाईल / Guard file.

सत्यापित प्रति //True Copy//

आदेशानुसार/ BY ORDER,

(Senior Private Secretary)

आयकर अपीलीय अधिकरण, राँची / ITAT, Ranchi