

IN THE INCOME TAX APPELLATE TRIBUNAL “A” BENCH, MUMBAI

BEFORE SHRI VIKRAM SINGH YADAV, AM
AND
MS. KAVITHA RAJAGOPAL, JM

ITA No. 4307/Mum/2025
(Assessment Year: 2018-19)

Ador Welding Limited (Successor of Ador Fontech Limited) Ador House, 6 K Dubash Marg, Fort, Mumbai – 400001.	Vs.	Deputy Commissioner of Income Tax, Circle 2(1)(1), Mumbai.
PAN/GIR No. AAACA9076B		
(Appellant)	:	(Respondent)

Assessee by	:	Ms. Rupal Kaku
Respondent by	:	Shri Surendra Mohan (SR DR)

Date of Hearing	:	07.10.2025
Date of Pronouncement	:	31.10.2025

ORDER

Per Kavitha Rajagopal, J M:

This appeal has been filed by the assessee, challenging the order of the learned Commissioner of Income Tax (Appeals) Delhi ('Id. CIT(A)' for short), National Faceless Appeal Centre ('NFAC' for short) passed u/s.250 of the Income Tax Act, 1961 ('the Act'), pertaining to the Assessment Year ('A.Y.' for short) 2018-19.

2. The assessee has raised the following grounds of appeal:

Ground 1: Erroneous addition u/s 37(1) of the Income-tax Act, 1961 ['the Act'] amounting to INR 1.21.21,767

On facts and in law, the Hon'ble Commissioner of Income-tax (Appeals) (Hon'ble CIT(A)] erred in upholding the disallowance of INR 1,21,21,767 made by the Learned Assessing Officer ('L'd AO), representing reduction in the value of opening stock recorded in FY 2017-18 on account of transition to Ind AS, on the grounds of lack of supporting evidence.



2. *The Hon'ble CIT(A) failed to appreciate that the said amount was recognised for the first time in FY 2017-18 due to the mandatory change in method of inventory valuation under Ind AS 2 (valuation at cost or net realisable value, whichever is lower), and such change was applied to opening stock in accordance with Ind AS 101-First-time Adoption of Ind AS, as required under law. Further, the Hon'ble CIT(A) failed to take into consideration the supporting documentation provided in connection with the revaluation of inventories.*

3. *The Hon'ble CIT(A) erred in law and on facts in not appreciating that the reduction in value of inventory is a genuine business loss duly forming part of the audited financial statements and hence is allowable under section 37(1) of the Act.*

4. *The Hon'ble CIT(A) failed to consider that various courts and Tribunals have consistently held that loss on account of obsolete or impaired inventory in accordance with accounting standards is allowable under section 37(1)*

5. *In view of the above, the Appellant prays that the addition u/s 37(1) of the Act amounting to INR 1,21,21,767 be deleted.”*

3. Brief facts of the case are that the assessee is a listed public limited company incorporated on 22.08.1974 under the Companies Act and is engaged in the business of welding consumables, equipment and spares. The assessee company had filed its return of income dated 09.09.2018, declaring total income at Rs.10,76,19,730/- and had filed its revised return of income dated 03.10.2018, declaring total income at Rs.10,62,45,330/- after duly recording the investment made u/s. 54EC of the Act. The assessee's case was selected for complete scrutiny under E-Assessment Scheme, 2019 on the following issues:

- i. Claim of Any Other Amount Allowable as Deduction in Schedule BP
- ii. Expenditure of Personal Nature
- iii. Reduction of Income in Revised Return & Claim of Refund
- iv. Refund Claim



v. Capital Gains/Income on Sale of Property

4. The learned Assessing Officer ('ld. A.O.' for short) issued notices u/s. 143(2) and 142(1) of the Act which was duly issued and served upon the assessee. The ld. AO observed that the assessee had claimed deduction on stocks written off amounting to Rs. 2,04,90,695/- u/s. 37(1) of the Act which details were sought for by the ld. AO. After duly considering the submissions of the assessee, the ld. AO passed the assessment order dated 29.06.2021, determining total income at Rs. 12,67,36,025/- after making addition/disallowance on the expenses claimed by the assessee u/s. 37(1) of the Act, for the reason that the assessee has failed to substantiate the same by proper documentary evidences.
5. Aggrieved the assessee was in appeal before the first appellate authority, who vide order dated 16.12.2024 upheld the addition/disallowance made by the ld. AO on the same ground that the assessee has failed to reconcile the same with supporting documentary evidences.
6. The assessee is in appeal before us, challenging the impugned order of the ld. CIT(A).
7. The learned Authorised Representative ('ld. AR' for short) for the assessee vehemently argued that the assessee had filed complete details of the stocks written off along with item-wise reconciliation with supporting documentary evidences before the first appellate authority who has failed to consider the same and has erred in holding that the assessee has not corroborated its claim by cogent documentary evidence. The ld. AR brought our attention to the paperbook filed by the assessee, where the details pertaining to the obsolete stocks are reflected and further reiterated that the same was



- not considered by the Id. CIT(A). The Id. AR prayed that the issue may be decided on the basis of the documentary evidences filed by the assessee.
8. The learned Departmental Representative ('Id. DR' for short) for the revenue on the other hand controverted the same and contended that the assessee has failed to explain its claim of expenditure u/s. 37(1) of the Act pertaining to the written off of obsolete inventories. The Id. DR relied on the order of the lower authorities.
 9. We have heard the rival submissions and perused the materials available on record. Before getting into the merits of the case, it is observed that the assessee has filed details of the age-wise inventories, where the values are scaled or written down to the realisable values to substantiate the write off of obsolete inventories.
 10. On perusal of the finding of the Id. CIT(A), we do not find any observation given by the Id. CIT(A) on the said documents filed by the assessee. We are conscious of the fact that the Id. CIT(A) is duty bound to deal with the evidence filed by the assessee by way of speaking order which has to specify as to why the same is not acceptable. In the present case in hand, we do not find any such observation rather the Id. CIT(A) had dismissed the appeal filed by the assessee on the ground that the assessee has failed to file documentary evidences to substantiate its claim which in our opinion is not justifiable. We therefore are of the considered opinion that this issue has to be remanded back to the file of the Id. CIT(A) for *de novo* adjudication of the issue in hand by duly considering the documentary evidences filed by the assessee to substantiate its claim that the impugned stocks have become obsolete and also by considering the value at which the same is purchased and along with the diminishing value as worked out by



assessee. The assessee is also directed to file complete details of the item-wise stocks along with supporting documentary evidences justifying as to why the same is obsolete or non-usable for the purpose of allowing the same as business expenditure u/s. 37(1) of the Act. It is pertinent to point out that we have not expressed any views on the merits of the case and the Id. CIT(A) is directed to decide the issue on the basis of the submission of the assessee on the merits and in accordance with law after giving sufficient opportunity of hearing to both sides.

11. In the result, the appeal filed by the assessee is hereby allowed for statistical purpose.

Order pronounced in the open court on 31.10.2025

Sd/-

**(VIKRAM SINGH YADAV)
ACCOUNTANT MEMBER**

Sd/-

**(KAVITHA RAJAGOPAL)
JUDICIAL MEMBER**

Mumbai; Dated: 31.10.2025
Karishma J. Pawar (Stenographer)

Copy of the Order forwarded to:

1. The Appellant
2. The Respondent
3. CIT- concerned
4. DR, ITAT, Mumbai
5. Guard File

BY ORDER,

(Dy./Asstt.Registrar)
ITAT, Mumbai