

आयकर अपीलीय अधिकरण 'सी' न्यायपीठ, चेन्नई।
IN THE INCOME TAX APPELLATE TRIBUNAL
'C' BENCH: CHENNAI

माजनीय श्री मनु कुमार गिरि, न्यायिक सदस्य एवं
माजनीय अमिताभ शुक्ल लेखक सदस्य के समक्ष
BEFORE HON'BLE SHRI MANU KUMAR GIRI, JUDICIAL MEMBER AND
SHRI HON'BLE AMITABH SHUKLA, ACCOUNTANT MEMBER

आयकर अपील सं./ ITA No.21/Chny/2025
निर्धारण वर्ष /Assessment Year: 2018-19

The ACIT,
Corporate Circle-1(1),
Chennai.

v. Dormakaba India Pvt. Ltd.,
Plot No.48/3,
Mahindra World City,
8th Avenue, Anjur Village,
Paranur – 603 002.
[PAN: AAACD 3980D]

(अपीलार्थी/Appellant)

(प्रत्यर्थी/Respondent)

प्रत्यर्थी की ओर से /Revenue by

: Shri Bipin C.N, CIT

अपीलार्थी की ओर से/ Assessee by

: Shri R. Sivaraman, Advocate

सुनवाई की तारीख/Date of Hearing

: 08.09.2025

घोषणा की तारीख /Date of Pronouncement

: 05.12.2025

आदेश / ORDER

PER MANU KUMAR GIRI (Judicial Member):

The captioned appeal filed by the Revenue is directed against order of the Ld. Commissioner of Income Tax (Appeals), Chennai [CIT(A)] dated 25.09.2024 for Assessment Year 2018-19.

2. The brief facts of the case are as under:



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Dormakaba India Private Limited ('Dormakaba' or the Company' or 'the Appellant') is engaged in manufacturing and wholesale trading of automatic doors, automatic door operators, glass fittings and accessories in India. For the subject AY, the Company has filed its Return of Income('ROI') on 30.11.2018 declaring total income of Rs.601,425,250/-. The ROI filed by the Company was selected for scrutiny by issuing 143(2) of the Income tax Act,1961 ('the Act'). Further, the details and information called for during the course of assessment were also submitted by the Company. During the course of the assessment, the Company had submitted that its opening and closing stock of raw material and finished goods separately under "Part A-P and L- Profit and Loss Account for the FY 2016-17" in ITR of AY 2017-18. However, during the AY 2018-19, the Company had disclosed opening and closing stock of finished goods under "Part A-P and L- Profit and Loss Account for the Financial year 2017-18 " in ITR whereas opening stock of raw materials which had been grouped under raw material consumption (i.e. opening stock of raw material plus purchases minus closing stock of raw material) in the audited financial statements had been disclosed under the head purchases in the ITR of AY 2018-19. Accordingly, there is only disclosure



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differences in ITR of AY 2017-18 and AY 2018-19 with respect to stock i.e. instead of disclosing stock of raw material under separate line item as opening and closing stock, the Company had clubbed raw material consumption and disclosed under the head purchases. Further, "Purchases" in the ITR 6 of AY 2018-19 includes purchases of stock in trade and raw material consumption. After considering the submissions filed, the Id. AO disallowed the disclosure difference of opening stock of AY 2018-19 and closing stock of AY 2017-18 amounting to Rs.130,550,357/- thereby treating it as unaccounted sales. The Company has reported all the income and expenses as per audited financial statement in the ITR 6 of AY 2018-19. Further, the net profit as per profit and loss account is matching with net profit as per ITR. Mere disclosure difference in closing and opening stock in the respective AY would not impact the net profit or taxable income disclosed in the ITR. Further, there is no change in the value of stock of raw material and finished goods during the year as per the audited financials statements. The Company has only disclosed the stock of raw materials under purchases' in the ITR. In addition, the Id. AO had itself accepted the fact that there is no adverse opinion on stock valuation as per audit report. Accordingly, mere disclosure difference



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in closing and opening stock of raw material cannot be added as unaccounted stock/unaccounted sales and thereby profit addition at the rate of 15.92% of Rs.20,783,617/- on the aforesaid stock value may not be warranted.

3. On further appeal to Id.CIT(A), who passed the following order:

Decision: *These grounds of appeal are general and consequential in nature and do not require any special adjudication. However, the issue raised by the appellant as per these grounds of appeal are being taken into account while deciding specific grounds of appeal.*

6.2 Ground No.2 to 5

Decision: i) For the year under consideration, the appellant while filing the return of income had disclosed opening stock of raw materials under the head purchases. However, for the earlier year, the appellant had disclosed the opening stock and closing stock separately.

ii) The AO while passing the order under section 143(3) had made addition to the income of the appellant amounting to Rs.13,05,50,357/- on account of difference in disclosure of closing stock of raw material of AY 2017-18 and disclosure of opening stock of raw material in AY 2018-19 and Rs.2,07,83,617/- as profit margin on account of difference in the value of stock.

iii) During the course of appellate proceedings, the appellant submitted that such difference is on account of disclosure difference between the Return of income for the AY 2017-18 and the Audited Accounts for the AY 2018-19. An extract of the submissions made by the appellant is given below:

“The Company while filing the ROI for the AY 2017-18 presented its opening and closing stock of raw material and finished goods separately under "Part A-P and L- Profit and Loss Account for the financial year 2016-17". However, during the AY 2018-19, the Company had disclosed opening and closing stock of finished goods under "Part A-P and L- Profit and Loss Account for the Financial year 2017- 18" in ROI whereas opening stock of raw materials which had been grouped under raw material consumption (i.e. opening stock of raw material plus purchases minus closing stock of raw material) in the audited financial statements, had been disclosed under the head “Purchases” in the ROI of AY 2018-19.



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Particulars	Amount (INR)
<i>Closing stock of raw material and finished goods disclosed in ITR of AY 2017-18</i>	300,631,582
<i>Opening stock of raw material and finished goods disclosed in ITR of AY 2018-19</i>	170,081,225
<i>Difference on account of disclosures (reported under the head purchases in the ITR of AY 2018-19)</i>	130,550,357

In this connection, the company wishes to state that the difference of INR 130,550,357 is on account of disclosure difference between the ROI for the AY 2017-18 and the ROI for the AY 2018-19. For your easy reference, we have tabulated the breakup of the aforesaid amount below: The breakup of purchases disclosed in ITR is tabulated below:

Particulars	Year ended 31 March 2018 (Amount in INR)	Remarks
<i>I. Cost material consumed</i>		
<i>Opening stock of Raw material (A)</i>	122,153,539	<i>This represents the difference in stock to the extent of 122,153,539 which is disclosed as purchases instead of opening stock of raw materials.</i>
<i>Add: Purchases of raw material (B)</i>	1,188,422,207	
<i>Less: closing stock of Raw material (D)</i>	(140,155,746)	<i>This has been disclosed as part of purchases in ROI.</i>
<i>Total Cost of materials consumed [I = (A)+(B)-(D)]</i>	1,170,420,000	<i>This consumption value has been disclosed as a part of purchases in the ROI. The relevant extract of ROI has been enclosed in pg.no.230 to pg.no.231 of the paper book</i>
<i>II. Purchases of Stock in trade</i>		
<i>Purchase of stock in trade</i>	670,983,479	
<i>Total Purchases of stock in trade (II)</i>	670,983,479	<i>The extract of audited financial statements with purchase of stock</i>



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Particulars	Year ended 31 March 2018 (Amount in INR)	Remarks
		<i>in trade (note 24) amounting to INR 670,983,479 has been provided as pg.no.230 to pg.no.231 of the paper book.</i>
<i>Total of consumption of raw materials and purchases (I+II) (disclosed as 'Purchases" in ITR6)</i>	<i>1,841,403,479</i>	<i>This amount represents the disclosure of purchases made in ITR. Please refer Page No.19 of ITR 6 of AY 2018-19 enclosed in pg.no.232 to pg.no.233 of paper book</i>
<i>Total purchases and cost of materials consumed disclosed in financial statements</i>	<i>1,841,403,479</i>	<i>This represents the total value of consumption of raw materials and purchase of stock in trade provided in Note 23 and 24 of the financial statements.</i>
<i>Difference between financials and ITR (K = I-J)</i>	<i>Nil</i>	

As observed from the above table, the company submits that the amount of INR 130,550,357 has been disclosed as part of purchases in the ROI of AY 2018-19 and accordingly, there is no difference in the value of closing stock of AY 2017-18 and opening stock of AY 2018-19 and the amount of INR 130,550,357 has been properly accounted for and disclosed in the ROI as may be observed from the table provided. Therefore, it may be observed from the above that there is no unaccounted stock / unaccounted sale which warrants any adjustment."

iv. I have perused the financial statements of the appellant for AY 2017-18, AY 2018-19 and AY 2019-20. The opening and closing stock of raw materials and finished goods have been grouped together as "Cost of materials consumed" and "Changes in inventory of finished goods and stock in trade". The appellant has demonstrated that the corresponding entries in the return of income match with the Audited Accounts. As seen from the above, there is only a disclosure difference in disclosing the opening stock of raw material in the ITR and there is no actual difference in amount between closing stock and opening stock of raw materials. The same was evidenced by the appellant in the above submission and with reference to ITR and Financial statement.



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v. As the closing stock of the earlier year had already been grouped as opening stock under the head Purchases for the subject year and had been considered while computing income, further addition of the difference on account of stock mismatch would lead to double taxation of the same.

vi. Taking into account the facts, circumstances, the explanations furnished by the appellant, I am inclined to accept the contentions of the appellant that total income and expenses reported in the Return of income are as per audited financial statements and hence mere disclosure difference in the return of income would not impact the net profit or taxable income. Mere disclosure difference in closing and opening stock of raw material cannot be added as unaccounted stock/ unaccounted sales and thereby addition on account of profit @ 15.29% is also not warranted. Thus, the additions made by the AO on account of difference in stock values need to be deleted.

vii. In view of the above detailed discussion, the AO is directed to delete the addition of Rs.13,05,50,357/- made on account of reconciliation and grouping differences of stock and raw materials. Consequentially, the addition of Rs.2,07,83,617/- made to the said difference by applying the profit percentage of 15.29% is not in order and is hereby deleted. Accordingly, ground nos.2,4 and 5 are Allowed. Ground no 3 is regarding the contention that the AO has not given sufficient opportunity. As a number of opportunities have been granted to the appellant during assessment and these appellate proceedings, Ground no 3 is dismissed as infructuous.

4. Aggrieved, revenue is in appeal before this Tribunal.

5. Per contra, the Id.DR submitted that the Id.CIT(A) was not right in deleting the addition on account of reconciliation and grouping of differences of stock and raw materials and the addition made applying profit percentage @15.29% only based upon financial statements and audited accounts when no additional evidences were submitted with regard to the grouping of raw material and finished goods. He further submitted that the addition made by the AO when there was no mention about the reclassification of assets in the Independent Auditor's report wherein it was stated that the stock statement was drawn up after physical verification of the stocks and that the difference if any was very minimum and not the disputed figure of 13 crores.



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6. We have heard the rival submissions and perused the record and paper book filed by the assessee. The assessee, Dormakaba India Private Limited, is engaged in the manufacturing and wholesale trading of automatic doors, operators, glass fittings and accessories. The assessee filed its return of income for AY 2018-19 declaring income of Rs.60,14,25,250/-. The case was selected for scrutiny u/s 143(2). During assessment, the Assessing Officer (AO) noted a difference of Rs.130,550,357/- between closing stock of raw material & finished goods as per AY 2017-18 ITR and opening stock of AY 2018-19 ITR and treated such difference as unaccounted sales. He further applied a gross-profit rate of 15.29% and made an additional addition of Rs.2,07,83,617/-.

7. The assessee explained that there was no difference in actual stock. The difference was only a disclosure / grouping difference in ITR-6. Raw material opening stock was grouped under "Purchases", as raw material consumption was shown as Opening stock + Purchases – Closing stock. The audited financials fully matched with the figures reported in the ITR. Net profit as per books and net profit as per ITR matched exactly, and the AO himself accepted that the audit report did not record any adverse remark on stock valuation. The Id.CIT(A) accepted the reconciliation, held that the AO made the addition merely due to a presentation difference, and deleted both the additions. Before us, the Revenue contends that the CIT(A) erred in deleting the additions without any "additional evidence" proving reclassification of raw material and finished goods and despite the statutory auditor's report not mentioning such reclassification; and by relying only on audited financial statements.



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8. Our adjudication:

It is an admitted fact that the assessee has consistently followed the same system of accounting. The figures in audited financial statements for AY 2017-18, AY 2018-19 and AY 2019-20 correctly record opening and closing stock. In AY 2018-19 ITR, raw material consumption was disclosed under “Purchases”, which necessarily included opening stock of raw material. The “difference” is purely a disclosure difference between two ITR schedules, not an actual difference in books. Total purchases, raw material consumption, stock in trade and closing stock as per the ITR exactly match the audited financials. Thus, the AO's observation does not point out any inflation, suppression, or non-recording of stock, but only a variation in placement of figures in the ITR schedule. We also find that there is no adverse finding in audit report. The AO himself acknowledges that physical verification of stock was conducted and there was no adverse remark on stock valuation, and the minor differences reported in audit were not even remotely close to the alleged Rs.13 crores. Hence, the AO's conclusion that the difference represented unaccounted sales is without factual foundation. Further, once the assessee had already included the opening stock of raw material by grouping it under purchases, any further addition of the same amount as “unaccounted stock/sales” would result in double taxation, which the Id.CIT(A) correctly noted. The AO applied a gross-profit rate of 15.29% on the alleged difference. Since the primary addition itself is unsustainable, the consequential profit addition automatically collapses. It is a well-settled that mere disclosure differences, or regrouping of entries between schedules, without any impact on



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profit or taxable income, cannot give rise to additions unless the AO proves that such regrouping reflects suppression or inflation of income. The Revenue has not brought any material to rebut the assessee's reconciliation or to show that stock was misstated in books. Hence, on careful consideration, we find no infirmity in the detailed and reasoned findings of the Ld. CIT(A). The AO has made the additions solely on the basis of a mechanical comparison of ITR schedules, without identifying any discrepancy in books, financials or audit report. We therefore, uphold the order of the Id. CIT(A).

9. In the result, the appeal filed by the Revenue is dismissed.

Order pronounced on 05th day of December, 2025 at Chennai.

Sd/-
(अमिताभ शुक्ला)
(Amitabh Shukla)
लेखा सदस्य /Accountant Member

Sd/-
(मनु कुमार गिरि)
(Manu Kumar Giri)
न्यायिक सदस्य / Judicial Member

चेन्नई/Chennai, दिनांक/Dated: 05th December, 2025.
TLN

आदेश की प्रतिलिपि अग्रेषित/**Copy to:**

1. अपीलार्थी/Appellant
2. प्रत्यर्थी/Respondent
3. आयकर आयुक्त/CIT, Chennai
4. विभागीय प्रतिनिधि/DR
5. गार्ड फाईल/GF