

आयकर अपीलीय अधिकरण, हैदराबाद पीठ
IN THE INCOME TAX APPELLATE TRIBUNAL
Hyderabad 'A' Bench, Hyderabad

BEFORE SHRI VIJAY PAL RAO, VICE PRESIDENT
AND
SHRI MANJUNATHA G. ACCOUNTANT MEMBER

आ.अपी.सं /ITA No.480/Hyd/2025
Assessment Year 2020-2021

Manaveeya Development & Finance Private Limited, Hyderabad. PIN – 500 034. Telangana. PAN AAECM1085E (Appellant)	vs.	The DCIT, Circle-5(1), Hyderabad – 500 004. (Respondent)
निर्धारिती द्वारा /Assessee by:	CA B Satyanarayana Murthy	
राजस्व द्वारा /Revenue by:	MS U Mini Chandran, CIT-DR	
सुनवाई की तारीख /Date of hearing:	26.11.2025	
घोषणा की तारीख /Pronouncement:	24.12.2025	

आदेश /ORDER

PER VIJAY PAL RAO, VICE PRESIDENT :

This appeal by the Assessee is directed against the Order dated 10.02.2025 of the learned Pr. Commissioner of Income Tax, Hyderabad-4, Hyderabad, for the assessment year 2020-2021.

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

1. *The Order of the learned Principal Commissioner of Income Tax (Appeals) passed U/s 263 of the Income Tax Act is contrary to the facts of the case and the Provisions of Law*
2. *The learned Principal Commissioner of Income Tax is not correct in revising the Assessment Order U/s.263 of the Income Tax Act as it is neither Prejudicial to the interest of Revenue nor it is erroneous*
3. *The learned Principal Commissioner of Income Tax is incorrect in directing the Assessing Officer to add back an amount of Rs.9.69 crores to the Income of the Appellant Company, as disallowance U/s. 948 of the Income Tax Act.*
4. *The learned Principal Commissioner of Income Tax is incorrect in the Computation U/s 948 of the earnings before Income Tax interest and depreciation at Rs 120.96 crores as against Rs.162,29,30,433 as claimed by the Appellant*
5. *The learned Principal Commissioner of Income Tax is incorrect in not taking into account the actual gain of Rs.34,50,00,000 made by the Company on the sale of equity shares in ESAF Financial Holdings Private Limited and not correct in adopting the Profit of Rs.3,53,00,000 credited to the Profit and Loss Account, preferred under IND-AS adopted by the Company in the first time in the previous year.*
6. *The learned Principal Commissioner of Income Tax is not justified in adopting the income by way of Processing fee at Rs.3,66,18,926 credited to the Profit and Loss Account as per Profit and Loss*

Account prepared as per IND-AS whereas the actual income earned during this year is Rs.4,53,15,000.

- 7. The learned Principal Commissioner of Income Tax failed to appreciate that the Appellant Company has declared in its Return the gross gain of Rs.34,50,00,000 on the sale of shares of ESAF Financial Holdings Private Limited and Processing fee of Rs.4,53,15,000.*
- 8. The learned Principal Commissioner of Income Tax should have taken into account that the Appellant Company suffered Income Tax on Capital Gain in respect of the Sale value of Rs.34,50,00,000 on the sale of shares and on Processing fee of Rs.4,53,15,000 and therefore he should have adopted these amounts in computing the earnings of the Company.*
- 9. For these and other grounds that may be urged at the time of the hearing of the Appeal it is prayed that the Order U/s.263 may kindly be set aside or modified as may be deemed fit.*

3. The assessee is a non-banking finance company, filed its return of income for the year under consideration on 12.02.2021 declaring total income of Rs.100,76,99,450/-. The assessment was completed u/sec.143(3) r.w.s.144B of the Income Tax Act [in short "the Act"], 1961 on 18.08.2022 at the returned income. Thereafter, on verification of the assessment record, the Pr. CIT noted that in the computation of total income, the assessee has added back a sum of

Rs.9,87,68,419/- towards interest paid u/sec.94B of the Act out of the total payable interest of Rs.58,56,47,549/- to its AE. The Pr. CIT further noted that the Earnings Before Interest, Taxes, Depreciation and Amortization [in short "EBITDA"] was computed at Rs.162,29,30,433/- for computing the allowable interest u/sec.94B as against the actual EBITDA of Rs.129.26 crores. This omission resulted in excess claim of expenditure towards interest payable to AE u/sec.94B to the tune of Rs.9,69,99,130/- and the Assessing Officer has not verified the issue resulting the order passed by the Assessing Officer is erroneous so far as prejudicial to the interests of the revenue. Accordingly, the Pr. CIT issued show cause notice u/sec.263 of the Act dated 05.11.2024. The assessee filed its reply to the show cause notice and claimed that the discrepancy as pointed out by the Pr. CIT is due to fair value gain of the equity investment as well as the capital gain/profit on sale of equity investment computed based on the fair market value of the investment as against the actual cost of acquisition. The Pr. CIT was not convinced with the reply of the assessee and noted that the assessee in

the Annexure-2 being the statement of disallowance u/sec.94B of the Act has considered the profit on sale of equity investment of Rs.34.50 crores and processing fee received of Rs.4.53 crore, total EBITDA amounting to Rs.162.29 crores, whereas the actual earning before EBITDA has been shown by the assessee of Rs.129.96 crores after adding back Rs.3.3 crores of depreciation and amortization of Rs.67.3 crores on financial cost to the EBITDA of Rs.59.6 crores. Thus, the Pr. CIT noted that the total income does not include the profit on sale of equity investment of Rs.34.50 crores and, therefore, the discrepancy was found in the computation of allowable interest paid to the AE u/sec.94B of the Act and consequently, the order of the Assessing Officer was set-aside with a direction to pass the fresh assessment order, after affording an opportunity of hearing to the assessee.

4. Before the Tribunal, the learned Authorised Representative of the Assessee has submitted that the assessee has explained the details and facts resulting the difference in computation of EBITDA for the purpose of

allowable interest to the AE u/sec.94B as well as the computation of income and particularly, the capital gain on account of sale of equity shares based on the fair market value of the investment. He has further submitted that the assessee has rightly added back the amount of Rs.9,87,68,419/- u/sec.94B of the Act out of the total interest expenses of Rs.67,51,89,962/-. This difference is due to adjustment made on account of capital gain on sale of investment and another is in respect of arrangement fee. He has further submitted that assessee company is covered by the Ind-AS for the first time this year and according to Ind-AS, profit on sale of investment even though shares are sold during that year has to be adjusted on fair value basis over a period of three years i.e., F.Y. 2017-2018 to 2019-2020. This is a part of transition process to Ind-AS as that year happens to be the first year in which Ind-AS was to be followed by the assessee company. He has thus submitted that once the assessee has computed the allowable interest to the AE u/sec.94B by following the process of Ind-AS, then the order passed by the Assessing Officer accepting the returned

income does not suffer from any error or the same is prejudicial to the interests of the revenue. Thus, the learned Authorised Representative of the Assessee has submitted that the impugned order passed by the Pr. CIT is not justified and liable to be quashed.

5. On the other hand, the learned DR has submitted that the assessee has calculated the allowable interest paid to the AE u/sec.94B of the Act by inflating the EBITDA, whereas the actual income shown by the assessee is much less and, therefore, the assessee has claimed excess deduction on account of interest paid to the AE which is in contravention of the provisions of sec.94B of the Act. He has referred to the impugned order and submitted that the Pr. CIT has pointed out the specific discrepancy in the computation of EBITDA for the purpose of calculation of the allowable interest to the AE u/sec.94B as against the actual income shown by the assessee. He has relied upon the Order of the learned Pr. CIT and submitted that the Assessing Officer has not conducted any enquiry on these aspects and, therefore, there is a complete lack of enquiry on the part of

the Assessing Officer while passing the assessment order which renders the assessment order as erroneous in so far as it is prejudicial to the interests of the revenue. She, therefore, submitted that the Pr. CIT has justified in revising the order passed by the Assessing Officer.

6. We have considered the rival submissions as well as the relevant material on record. The Assessing Officer has accepted the returned income while passing the scrutiny assessment on 18.08.2022 as under :

 GOVERNMENT OF INDIA MINISTRY OF FINANCE INCOME TAX DEPARTMENT 		
1.	PAN	AAECM1085E
2.	Name of the assessee	MAANAVEEYA DEVELOPMENT & FINANCE PRIVATE LIMITED
3.	Address of the assessee	8-2-293/82/2/208/A AND 208/A/1 , MLA COLONY ROAD NO. 12, BANJARA HILLS, HYDERABAD 500034, Telangana, India
4.	Assessment Year	2020-21
5.	Status	COMPANY
6.	Residential Status	Resident
7.	Date of filing of Return of Income	13/02/2021
8.	Acknowledgement Number of Return of Income	256904761130221
9.	Date of processing u/s 143(1)(a) of the Income-tax Act.	
10.	Income Computed under section 143(1) of the Act	
11.	Date of service of Notice under section 143(2) of the Income-tax Act	30/06/2021,30/06/2021,30/06/2021,30/06/2021
12.	Date(s) of issue of Notice(s) under section 142(1) of the Income-tax Act	22/10/2021,25/11/2021,10/12/2021,17/12/2021
13.	Order passed under section	143(3) read with section 144B of the Income-tax Act
14.	Returned Income	Rs. 1,00,76,99,450
15.	Date of Order	18/08/2022
16.	DIN	ITBA/AST/S/143(3)/2022-23/1044878739(1)

“ASSESSMENT ORDER

Maanaveeya Development & Finance Private Limited ("the Company") was incorporated in August 2004. The Company is registered with Reserve Bank of India (RBI) as a Non-Banking Finance Company. The main objective is to carry on the business of financing the development activities through long term loans and other means of financing for the purpose of agriculture development, industrial development, market linkage development, micro enterprise and micro finance, social development and asset financing. The assessee filed its return of income for the AY 2020-21 electronically on 13.02.2021 declaring total income of Rs. 1,00,76,99,450/-. The said return was duly processed u/s 143(1) of the IT act, 1961. Later on the case of the assessee was selected for the scrutiny under CASS, Statutory notice u/s 143(2) of the IT Act, 1961 was issued and duly served to the assessee vide notice no ITBA/AST/S/143(2)/2021-22/1033799819(1) on 29.06.2021 vide registered email of the assessee.

Notice u/s 142(1) of the IT Act, 1961 along with specific questionnaires was issued to the assessee on 20.10.2021 vide notice no ITBA/AST/F/142(1)/2021-22/1036543638(1). The assessee made compliance and submitted its reply electronically on 01.11.2021 Later on further questionnaires with notice u/s 142(1) of the IT Act, 1961 were issued on 25.11.2021 and 10.12.2021. The assessee made compliance and submitted its reply.

All submissions have been perused and examined.

Based on the submissions and other materials available on record, return income as declared by the assessee is accepted.

Assessment order u/s 143(3) r.w.s. 144B of the IT Act, 1961 is passed at an assessed Income of Rs.1,00,76,99,450/-. Credit of prepaid taxes given as per system. Demand notice and computation sheet issued along with this assessment order.

Assessment Unit
Income Tax Department

Copy to:

Assessee”

7. Though the Assessing Officer referred the notice issued u/sec.142(1) and reply by the assessee, however, nothing has been brought by the assessee before us to show that the Assessing Officer has taken up this particular issue as pointed out by the learned Pr. CIT while invoking the provisions of sec.263 of the Act. The Pr. CIT has issued the show cause notice u/sec.263 of the Act dated 05.11.2024 as under :

<p>कार्यालय प्रधान आयकर आयुक्त-4, द्वितीय मंजिल, ब्लॉक - ए, आयकर शिखर, ए.सी.गाइडर्स, मासाब टैंक, हैदराबाद - 500 004 टेलीफोन: 040-23425538</p>		<p>Office of the Pr. Commissioner of Income-tax-4, 2nd Floor, 'A' block, I.T. Towers, A.C. Guards, Masab Tank, Hyderabad-500 004 Tel: 040-23425538, Fax: 040-23425333 email: hyderabad.pcit4@incometax.gov.in</p>
F.No. Pr.CIT-4/263/2024-25		दिनांक/Date:05.11.2024
To		
<p>The Principal Officer, M/S. Maanaveeya Development & Finance Private Limited, 8-2-293/82/2/208/A and 208/A/1, MLA Colony, Road No.12, Banjara Hills, Hyderabad-500034.</p>		
महोदय/महोदया Sir/Madam,		
<p>विषय/Sub: Revision under section 263 of the Income-tax Act,1961 in your own case - A.Y.2020-21 - Show Cause Notice - Regarding.</p>		

The assessee company filed its return of income for the Assessment Year 2020-21 on 12.02.20231 declaring income of Rs.100,76,99,450/-. Subsequently, assessment U/s. 143(3) rws 144B of the Income Tax Act, 1961 was completed on 18.08.2022 accepting the returned income.

On perusal of the record, I am of the view that the said order is erroneous in so far as it is prejudicial to the interests of revenue for the following reasons:

- 1. On verification of the assessment record, it is noticed from the 'Computation of Total Income' that Rs.9,87,68,419/- was added back towards interest paid u/s.94B', out of payable interest of Rs.58,56,47,549/- to its AE. However, as seen from EBITDA, it was computed at Rs. 162,29,30,433/- as against the actual Rs.129.26 lakh for computing allowable interest u/s.94B. this omission resulted in excess claim of expenditure towards interest payable to AE' u/s.94B to the tune of Rs.9,69,99,130/-. This resulting shortfall in the computation of income during the assessment proceeding, which needs to be examined further.*

In view of the above, the assessment completed by the Assessing Officer by not verifying the issues, as mentioned above, is erroneous in so far as it is prejudicial to the interest of revenue. You are, therefore, TRUE Cup cause as to why the order under section 143(3) rws 144B of the Income Tax Act, 1961 was dated 18.08.2022 should not be revised/set aside.

You are requested to submit your explanation/ objections/ submissions in this regard on or before 25.11.2024. You may also produce necessary evidence/s on which you may rely in support of your claim. You are requested to upload any further explanations and

the necessary documents in e-filing portal on or before 25.11.2024, In case you want to submit any explanation in person you are case is posted for hearing on 25.11.2024 at 04:00 PM.

It may please be noted that in the absence of any response on the said date, it will be presumed that you have no objection for the proposed revision and suitable orders will be passed on merits as per available records.

Yours faithfully

Office Seal

Sd/- Banda Srinivas

दंडा श्रीनिवास (Banda Srinivas)

प्रमुख आयकर आयुक्त -4

Pr. Commissioner of Income Tax-4

हैदराबाद Hyderabad.”

8. Thus, the Pr. CIT has raised and pointed out the specific factual aspects of the issue relating to the allowability of the deduction in respect of the interest paid to the AE u/sec.94B of the Act. The facts as pointed out by the Pr. CIT are not disputed by the assessee either before the Pr. CIT or before the Tribunal, but the stand of the assessee is that this discrepancy/difference as pointed out by the Pr. CIT are due to the computation of the capital gain on sale of equity shares by considering the fair market value under the mandate of Ind-AS. In the reply to the show cause notice, the assessee has given the details of these differences as under :

Particulars	Amount (Rs).
Year -1: FY 2017-18	
Fair value of equity investment as on 31.3.2018	34,47,00,000
Cost of investment	7,50,00,000
Total fair value gain as on 31.3.2018 recognised to opening reserves as per Ind AS 101 First-time Adoption of Indian Accounting Standards	26,97,00,000
Year -2: FY 2018-19	
Similarly fair value of equity investment as on 31.3.2019	38,47,00,000
Fair value recognised till 31.03.2018	34,47,00,000
Total fair value gain recognised to revised P&L of FY 2018-19 as per Ind AS 101 First-time Adoption of Indian Accounting Standards	4,00,00,000
Year -3: FY 2019-20	
Actual sale value of equity investment on 18.12.2019	42,00,00,000
Fair value recognised till 31.03.2019	38,47,00,000
Balance gain recognised in FY 2019-20, Shown in P&L A/c	3,53,00,000

9. Thus, it is clear that the assessee has considered the EBITDA for the purpose of computing the allowable deduction on account of interest payable to its AE u/sec.94B of the Act at a higher amount in comparison to the actual EBITDA at Rs.129.26 crores which resulted the difference of allowable claim of interest payable to AE to the tune of Rs.9,69,99,130/-. It is manifest from the assessment order as reproduced in the foregoing para of this order that the Assessing Officer has not conducted any enquiry on this issue and, therefore, the order passed by the Assessing

Officer does not exhibit any thought process or even an attempt to verify the correctness of the claim u/sec.94B of the Act. There is no quarrel on the point that lack of enquiry on the part of the Assessing Officer renders the order erroneous in so far as it is prejudicial to the interests of revenue. In the case in hand, the details as filed by the assessee clearly suggest that this issue involves the complex facts not only for the year under consideration but for the preceding two years also as the assessee has spread over the fair market value of the investment for three years and, therefore, another aspect germane to the matter whether the deduction u/sec.94B for the preceding year is claimed by the assessee after including the gain on account of re-valuation of the investment as on the date of the balance-sheet. All these crucial aspects were required to be verified and examined by the Assessing Officer while passing the assessment. Failure of the Assessing Officer to conduct a proper enquiry and to verify all these facts in respect of the claim of deduction on account of interest paid to the AE in accordance with the provisions of sec.94B of the Act would

constitute an error in terms of sec.263 of the Act in the order of the Assessing Officer so far as it is prejudicial to the interests of the revenue. Accordingly, in the facts and circumstances of the case as discussed above, we do not find any error or illegality in the impugned order of the Pr. CIT. The same is upheld.

10. In the result, appeal of the Assessee is dismissed.

Order pronounced in the open Court on 24th day of December, 2025.

Sd/-
[MANJUNATHA G.]
ACCOUNTANT MEMBER
Hyderabad, Dated 24th December, 2025
VBP
Copy to:

Sd/-
[VIJAY PAL RAO]
VICE PRESIDENT

1.	Manaveeya Development & Finance Private Limited, H.No.8-2-293/82/564, A-43, Road No.92, Jubilee Hills, Hyderabad – 500 034. Telangana.
2.	The DCIT, Circle-5(1), Income Tax Towers, AC Guards, Masab Tank, Hyderabad – 500 004.
3.	The Pr. CIT, Hyderabad-4, Room No.211, 2 nd Floor, A-Block, IT Tower, AC Guards, Masab Tank, Hyderabad. PIN - 500 004. .
4.	The DR, ITAT, “A” Bench, Hyderabad.
5.	Guard file.

BY ORDER

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