

**आयकर अपीलीय अधिकरण, कटक न्यायपीठ, कटक**

**IN THE INCOME TAX APPELLATE TRIBUNAL CUTTACK BENCH CUTTACK  
(THROUGH VIRTUAL HEARING)**

श्री जार्ज माथन, न्यायिक सदस्य एवं श्री राजेश कुमार, लेखा सदस्य के समक्ष ।

**BEFORE SHRI GEORGE MATHAN, JUDICIAL MEMBER  
AND**

**SHRI RAJESH KUMAR, ACCOUNTANT MEMBER**

आयकर अपील सं/ITA No. 586/CTK/2025

(निर्धारण वर्ष / Assessment Year : 2016-17)

|  |           |                                    |
|--|-----------|------------------------------------|
| <b>Mannequin Pharmaceuticals<br/>Private Limited<br/>B-26 And 26(1),<br/>Chandaka Industrial Estate<br/>751024</b> | <b>Vs</b> | <b>ITO, Ward-1(1), Bhubaneswar</b> |
| PAN No. : <b>AAJCM 6157 G</b>  |           |                                    |
| <b>(अपीलार्थी / Appellant)</b>   | <b>..</b> | <b>(प्रत्यर्थी / Respondent)</b>   |
| <b>निर्धारिती की ओर से / Assessee by</b>   | <b>:</b>  | <b>Shri P.K Mishra, Advocate</b>   |
| <b>राजस्व की ओर से / Revenue by</b>  | <b>:</b>  | <b>Shri Vijay Singh, Sr. DR</b>    |
| <b>सुनवाई की तारीख / Date of Hearing</b>   | <b>:</b>  | <b>05/12/2025</b>                  |
| <b>घोषणा की तारीख/Date of Pronouncement</b>  | <b>:</b>  | <b>05/12/2025</b>                  |

**आदेश / O R D E R**

**Per Bench :**

This is an Appeal filed by the assessee against the order of Ld.CIT(A), National Faceless Appeal Centre(NFAC), Delhi dated 28.08.2025 for the assessment year 2016-17.

2. It was submitted by the Ld. AR that the only issue in the assessee's appeal was in respect of the validation of the share market value of Rs.4,900/- equity shares. It was submission that the assessee had allowed the discounted cash flow method as provided in rule 11 UA of the Act of the Income Tax Rules.

3. It was submission that the Ld.CIT(A) has held that the fair market value of the unquoted equity shares was to be determined by merchant banker. It was submission that consequently as the DCF Method valuation

had been prepared by Chartered Accountant and not by the Merchant Banker. The Ld.CIT(A) had confirmed the addition of Rs.84,80,920/- made by the AO. It was submission that the term Merchant Banker for the purpose of determining that fair market value by applying the discounted free cash flow method was made mandatory into the rules 11UA w.e.f 24/05/2018 and the impugned assessment year 2016-17. In this year qualified chartered accountant was authorized to prepare valuation report under in DCF method. It was submission that in page 15 of the order of the Ld.CIT(A), the Ld.CIT(A) has extracted the valuation of the discounted cash flow method has made by the Chartered accountant also. It was submission that this was the accepted method in view of the decision of the Hon'ble Karnataka High Court in the case of Waterline Hotels (P.) Ltd. reported in 172 taxxman.com 820. It was submission that in the of the Hon'ble Karnataka High Court the assessment year involved was 2013-14. It was submission that the addition was made by the AO and has confirmed by the Ld.CIT(A) is liable to be deleted.

4. In reply, the Ld.Sr.DR vehemently supported the order of the AO and Ld.CIT(A).

5. We have considered the rival submissions. On perusal of the provisions of section 56 of the Act, the explanation VIIb of section 56(2) of the Act shows that the term Merchant Banker has been made mandatory w.e.f 02/05/2018 after omission of the "accountant" vide notification S.O No. 2087(E) dated 24/05/2018. The impugned assessment year in appeal is assessment year 2016-17. A perusal of the decision of the Hon'ble

Karnataka High Court in the case of Waterline Hotels (P.) Ltd. referred to supra shows that the Hon'ble Karnataka High Court has held as follows:-

*4. Having heard learned panel Counsel appearing for the revenue and the learned Senior Advocate representing the Assessee we decline indulgence in the matter inasmuch as the Tribunal has construed the subject provision of the Act keeping in view the fair market value of the shares in question and not the premium amount. Learned Senior Advocate Mr. Shankar is right in telling us that the fair market value of the Shares in question has been arrived at by the Assessee by adopting one of the statutorily designated methods in terms of Rule 11UA(2) of the extant Rules.*

*5. It is relevant to reproduce Tribunal's observation at paras 18 & 19:*

*"18. In the present case, we notice that the assessee had submitted the valuation report issued by a Chartered Accountant using DCF method of valuation. The assessee has projected its income, which according to the Id. AR, is substantiated by the JDA entered into by the assessee. We notice that the lower authorities have rejected the DCF method of valuation on the ground that the same is not based on any scientific method and that since the assessee is making a loss, there is no possibility of valuing the shares of the assessee at a premium. Further, the lower authorities have not gone into the details used by the assessee under DCF method to arrive at the valuation and rejected the entire methodology as adopted by the assessee. It is also noticed that one of the reasons as quoted by the AO for not considering the valuation report is that the Director during the survey proceedings has stated that there is no valuation report. We are unable appreciate this reason for rejection as the satisfaction to be recorded by the AO should not be objective satisfaction exercised at his discretion, but a subjective satisfaction based on the facts of the case. The lower authorities have not examined the basis on which the valuation is done and from the perusal of facts, no details in this regard have been called for by the lower authorities. The valuation report is rejected based on the objective satisfaction and not based on detailed examination.*

*19. In view of the above discussion and respectfully following the decision of the Tribunal in the case of Town Essential Private Ltd. (supra), we hold that the valuation done by the assessee cannot be rejected without recording any finding to the contrary by the lower authorities and therefore we delete the addition made in this regard."*

*In the above circumstances, the Substantial Questions of Law raised in the appeal are answered against the Revenue and eventually in*

*favour of Assessee. Accordingly, appeal is dismissed, costs having been made easy.*

6. Respectfully following the decision of the Hon'ble Karnataka High Court and also considering the fact of amendment vide S.O No. 2087(E) dated 24/05/2018, the additions made by the AO and confirmed by the Ld.CIT(A) stands deleted.

7. In the result, appeal of the assessee is allowed.

Order dictated and pronounced in the open court on 05/12/2025.

**Sd/-**

(राजेश कुमार)

**(RAJESH KUMAR)**

लेखा सदस्य/ **ACCOUNTANT MEMBER**

**Sd/-**

(जार्ज माथन)

**(GEORGE MATHAN)**

न्यायिक सदस्य / **JUDICIAL MEMBER**

दिनांक Dated 05/12/2025

*Prakash Kumar Mishra, Sr.P.S.*

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

1. अपीलार्थी / The Appellant- Mannequin Pharmaceuticals Private Limited  
B-26 And 26(1),  
Chandaka Industrial Estate  
751024
2. प्रत्यर्थी / The Respondent- ITO, Ward-1(1),  
Bhubaneswar
3. आयकर आयुक्त(अपील) / The CIT(A),
4. आयकर आयुक्त / CIT
5. विभागीय प्रतिनिधि, आयकर अपीलीय अधिकरण, कटक / DR, ITAT,  
Cuttack
6. गार्ड फाईल / Guard file.

सत्यापित प्रति //True Copy//

**आदेशानुसार/ BY ORDER,**

**(Assistant Registrar)**

**आयकर अपीलीय अधिकरण,**

**कटक/ITAT, Cuttack**