

आयकर अपीलीय अधिकरण, हैदराबाद पीठ

**IN THE INCOME TAX APPELLATE TRIBUNAL
Hyderabad 'A' Bench, Hyderabad**

**BEFORE SHRI MANJUNATHA G, ACCOUNTANT MEMBER
AND SHRI RAVISH SOOD, JUDICIAL MEMBER**

आ.अपी.सं / **ITA No.297/Hyd/2024**
(निर्धारण वर्ष/Assessment Year:2015-16)

Dy. Commissioner of Income Tax, Central Circle 1(3), Hyderabad.	Vs.	Shri Atchi Reddy Kovvuri, Hyderabad PAN : ADOPK6018R
(Appellant)		(Respondent)

आ.अपी.सं / **ITA Nos.318 & 319/Hyd/2024**
(निर्धारण वर्ष/Assessment Years:2019-20 & 2020-21)

Dy. Commissioner of Income Tax, Central Circle 1(3), Hyderabad.	Vs.	M/s. Light House Movie Makers LLP, Hyderabad. PAN : AAGFL8979H
(Appellant)		(Respondent)
निर्धारिती द्वारा/Assessee by:	Shri A. Srinivas, C.A.	
राजस्व द्वारा/Revenue by:	Smt. U Mini Chandran, CIT-DR	
सुनवाई की तारीख/Date of hearing:	18/11/2025	
घोषणा की तारीख/Pronouncement:	24/12/2025	

आदेश/ORDER

PER MANJUNATHA G, A.M. :

These appeals are filed by Revenue against the separate orders passed by the Learned Commissioner of Income Tax (Appeals)-11, Hyderabad, all dated 19.11.2024 for the

Assessment Years 2015-16, 2019-20 and 2020-21 respectively. Since these appeals are on identical grounds and facts, they are heard together and one consolidated order is being passed for the sake of convenience and brevity.

ITA No.297/Hyd/2024

2. First, we take up the appeal of Shri Atchi Reddy Kovvuri and the grounds raised by the Revenue are as under :

1. The Ld CIT(A) erred on the facts and in the circumstances of the case and in law.
2. The Ld CIT(A) erred in quashing the notice issued u/s 153C of the Act for A.Y 2015-16 through the mandatory conditions as prescribed in section 153C that the seized material has a bearing on the determination of the total income of the assessee have been met and the satisfaction also accordingly recorded by the Assessing Officer.
3. The Ld CIT(A) erred in quashing the notice issued u/s153C only on technical grounds by placing reliance on the decision of Apex Court in the case of M/s Singhad Technical Education Society 84 taxmann.com 290, the ratio of which is distinguishable from the facts of the present case without adjudicating on the merits of the additions made based on seized annexure adnumbered UPF/RP/EL-15, UPF/RP/EL-25 & UPF/RP/EL-31?
4. The Ld IT(A) erred in quashing the assessment proceedings u/s 153C without appreciating the fact that seized material for the relevant period was there and was also mentioned in the satisfaction note for the A.Y 2015-16 (combined with other assessment years).
5. The Ld CIT(A) erred in holding that a combined satisfaction note cannot be made without appreciating that the incriminating material for relevant periods was mentioned and was available for examination by the AO.
6. Any other ground that may arise during the course of appellate proceedings at the time of hearing.

3. The brief facts of the case are that the assessee is an individual engaged in the business of production of motion pictures, has not filed any Return of Income for the Asst. Year

2015-16 u/s. 139 of the Income Tax Act, 1961 (the Act). A search and seizure operation u/s.132 of the Act was conducted on 28.01.2021 in the case of V V Bala Krishna Rao (HUF), Proprietor of Usha Pictures and Financiers. During the course of search proceedings, certain incriminating material i.e. loose sheets containing financial transactions pertaining to the assessee were found and seized. The Assessing Officer initiated proceedings u/s.153C of the Act after recording satisfaction as required u/s.153C of the Act and accordingly notice u/s.153C of the Act was issued on 30.06.2022 to the assessee. The assessee did not file Return of Income in response to the notice issued u/s.153C of the Act. Subsequently, notices u/s.142(1) of the Act dated 13.01.2023; 16.02.2023 and 03.03.2023 were issued to the assessee calling for information. However, the assessee neither appeared nor furnished any details called for by the Assessing Officer. Therefore the Assessing Officer concluded the assessment to the best of his knowledge as per the information available on record and passed ex parte best judgment assessment order u/s.153C r.w.s. 144 of the Act and determined the total income of the assessee at Rs.6,25,46,902/-, by making additions towards the estimation of 15% profit on total credits in the bank account of Rs.4,69,54,349/- and determined income at Rs.70,43,152/-. The Assessing Officer had also made addition of Rs.5,55,03,750/- towards repayment of loans taken in cash from

M/s. Usha Pictures and Financiers on the basis of loose sheets / documents found and seized vide Annx/UPF/RP/EL-15, 25 & 31 on the ground that the assessee has failed to explain the source of cash for repayment of loans received from the above firm.

4. Aggrieved by the assessment order, the assessee preferred appeal before the Ld. CIT(A). Before the Ld. CIT(A), the assessee filed written submissions on the issue which has been reproduced at para Nos.26 to 40 of the Ld. CIT(A) order. The sum and substance of the arguments are that, the assessment order passed by the Assessing Officer u/s.153C of the Act dated 30.06.2022 on the basis of satisfaction note recorded u/s.153C of the Act is invalid, bad in law and liable to be quashed because, the Assessing Officer has not arrived at satisfaction qua incriminating material found during the course of search for each assessment year indicating unaccounted income of the assessee has a bearing on the determination of the total income of the assessee for the relevant assessment years. The assessee had also challenged the additions made by the Assessing Officer towards repayment of cash loan taken from M/s. Usha Pictures and Financiers and argued that additions made by the Assessing Officer is not based in any material found during the course of search but on the basis of material collected during the course of

assessment proceedings in the case of searched person which does not show any light of undisclosed income of the assessee.

5. The Ld. CIT(A), after considering the relevant submissions and also taking note of certain judicial precedences and also the decision of Hon'ble Supreme Court in the case of ACIT & Another Vs. Pepsi Foods Pvt.Ltd., SLP No.4659/2015, dated 04.12.2017 (supra) and also the decision of CIT Vs. Sinhgad Technical Education Society (Civil Appeal No.11080 of 2017) 84 taxmann.com 290 (SC) quashed the assessment order passed by the Assessing Officer, holding that although the Assessing Officer referred to certain seized material found during the course of search vide Annexure UPF/RP/EL-15 (pages 1 to 301), UPF/RP/EL-25 (pages 1 to 3) and UPF/RP/EL-31 (pages 84 to 91), but there is no discussion as to how these loose sheets translate into any information of undisclosed income in the hands of the assessee and to which assessment year such income pertains to. Further, although the Assessing Officer referred to the table in point no.6 with regard to loans given by Usha Pictures & Financiers to the assessee, but failed to give any finding as to how that translate into income of the assessee. Therefore, the Ld. CIT(A) observed that mere receiving of loans from other party does not translate into income of the assessee. He observed that the Assessing Officer has simply mentioned that the loose

sheets have a bearing on the determination of income without referring to any particulars of income to which assessment year or any particular assessment year it pertains to and thus the satisfaction note recorded by the Assessing Officer dated 30.06.2022 as required u/s.153C of the Act failed to comply with the parameters of satisfaction u/s.153C(1) of the Act. Therefore, the Ld. CIT(A) quashed the assessment order passed by the Assessing Officer u/s.153C of the Act. The relevant findings of the Ld. CIT(A) in para 6 is as under :

6. Decision:

In the instant case, the assessments u/s. 144 r.w.s 153C for AY 2015-16 to AY 2020-21 are completed in the following manner:

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Nature of Addition Made	AY 2015-16 u/s. 153C r.w.s 144 (in Rs.)	AY 2016-17 u/s. 153C r.w.s 144 (in Rs.)	AY 2017-18 u/s. 153C r.w.s 144 (in Rs.)	AY 2018-19 u/s. 153C r.w.s 144 (in Rs.)	AY 2019-20 u/s. 153C r.w.s. 144 (in Rs.)	AY 2020-21 u/s. 144 r.w.s. 153C (in Rs.)
Estimation of income @15% on total credits into bank account	70,43,152		9,20,341	1,98,291	51,888	5,42,820
Repayment of cash loans in cash	5,55,03,750	25,40,000				
Professional receipts		31,135				
Dubbing Rights amount received		50,00,000				
ASSESSED INCOME	6,25,46,902	75,71,135	9,20,341	1,98,291	51,888	5,42,820

Brief facts of the case are that a Search & seizure operation u/s. 132 was carried out in the case of M/s. Usha Bala group of cases, including Sri V.V. Balakrishna Rao (HUF), proprietor of M/s. Usha Bala Pictures & Financiers on 28.01.2021 and during the course of Search in the case of M/s. Usha Bala Pictures & Financiers, certain incriminating documents were supposedly seized relating to the appellant.

The Assessing Officer initiated proceedings u/s. 153C by issuing notice u/s. 153C on 30.06.2022 in each of the assessment years under consideration. The appellant did not file his returns of income in response to the said notice u/s. 153C. The Assessing Officer noted that the appellant failed to respond to the notices issued during the assessment proceedings and accordingly the assessments were completed u/s. 144, based on the information available on record.

During the appeal proceedings, the appellant challenged the validity of notice u/s. 153C, alleging that no satisfaction note was recorded as required u/s. 153C and that the additions made in the assessments u/s. 153C are not based on the incriminating material seized during the Search and no such material was referred to by the Assessing Officer while making the addition.

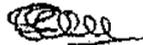
In this regard, the satisfaction recorded by the Assessing Officer prior to initiation of proceedings u/s. 153C is as under:

PROFORMA FOR RECORDING SATISFACTION UNDER SECTION 153C

(To be filled by the Assessing Officer of the person referred to in section 153C)

1	Name of the Group Searched	USHA BALA GROUP
2	Name and PAN of the person referred to in section 153A	Sri. V.V. Bala Krishna Rao (HUF), Prop: M/s. Usha Bala Pictures & Financers PAN: AAAHV6609Q
3	Date of initiation of search in the case of the person referred to in section 153A	28.01.2021
4	Name, address and PAN of the person in whose case action u/s. 153C proposed	Sri. Atchi Reddy Kovvuri Prop: M/s. Max India Productions, Plot No. 16, Unit No.6, Valley View Enclave Road No.70, Jubilee Hills, Hyderabad- 33 (PAN: ADOPK6018R)
5	(a) Nature of the seized material (Money/bullion/jewellery/other valuable article or thing/books of account/documents)	documents
	(b) Description of the seized material	Loose sheets
	(c) Address of premise/place from where such material was seized	Prop: Usha Pictures and Financers Raja Rammohan Rai Street, Power Pet, ELURU, West Godavari District.
	(d) Date of seizure of such material	31.01.2021
	(e) Particulars of the relevant panchanama	Panchanama dated 31.01.2021
	(f) Annexure/S.No./Page Number etc. (particulars to be specified)	Annexure : UPF/RP/EL-15 (pages 1 to 301) UPF/RP/EL-25 (pages 1 to 31 and UPF/RP/EL-31 (pages 84 to 91)
6	Relationship of the person referred to in S.No.2 with the person referred to in S.No.4	Usha Pictures & Financers has lent loans to Sri. Atchi Reddy Kovvuri Prop: M/s. Max India Productions
7	Satisfaction of the Assessing Officer of the person referred to in section 153C	As per Annexure
8	Assessment Years involved	2015-16 to 2021-22

Date: 27.06.2022
Place: Hyderabad


(K. SHIVALINGAM)
Assistant Commissioner of Income Tax
Central Circle-1(3), Hyderabad

Annexure

During the search & seizure operation in the case of Sri. V.V. Bala Krishna Rao (HUF) Prop: Usha Pictures and Financers, Raja Rammohan Rai Steet, Power Pet, Eluru, West Godavari District, some loose sheets relating to assessee were found and seized vide annexure UPF/RP/EL-15 (pages 1 to 301), UPF/RP/EL-25 (pages 1 to 31) and UPF/RP/EL- 31 (pages 84 to 91).

Therefore, I am satisfied that the information contained in the documents/ loose sheets seized in the case of Sri. V.V. Bala Krishna Rao (HUF) Pertains to Sri. Atchi Reddy Kovvuri and the information contained therein has bearing on the determination of total income of Sri. Atchi Reddy Kovvuri for the AYs 2015-16 to 2021-22.

I am satisfied that the case of Sri. Atchi Reddy Kovvuri covered u/s 153C. In view of the above, the provisions of section 153C(1) are to be invoked for the AYs 2015-16 to 2021-22.



(K. SHIVALINGAM)
Assistant Commissioner of Income Tax
Central Circle-1(3), Hyderabad

The above satisfaction note mentions that certain loose sheets were found during the Search in the case of V.V. Balakrishna Rao (HUF) and seized vide annexure UPF/RP/EL-15 (pages 1 to 301), UPF/RP/EL-25(pages 1 to 3) and UPF/RP/EL-31(pages 84-91). However, there is no discussion of how these loose sheets translate into any information of undisclosed income in the hands of the appellant? and to which assessment year such income pertains to? The table in point no. 6 further mentions that loans have been given by Usha Pictures & Financers to the appellant. How does that translate into income of the appellant is neither discussed nor details have been mentioned in the satisfaction note. Mere receiving of loans from other party does not

translate into income of the appellant. The Assessing Officer has simply mentioned that the loose sheets have a bearing on the determination of income of the appellant. The satisfaction note neither mentions the position of the return of income of the appellant nor does it mention that how the documents translates into some quantum of undisclosed income and how is the document relates to the year of such income. There is no mention of the satisfaction of the AO of Usha Pictures as to how the documents translate into income of the appellant. The AO has summarily mentioned that the provisions of Section 153C have to be invoked for A.Y. 2015-16 to A.Y. 2021-22. As there is no whiff of any discussion of incriminating material or undisclosed income emanating out of such material, therefore the satisfaction recorded is not within the parameters of section 153C.

The section 153C very clearly brings out the onus on the Assessing Officer to bring out the satisfaction that the seized documents have a bearing on determination of total income of such person other than the searched person. There is no satisfaction recorded by the AO as to how the documents translate into the unaccounted/undisclosed income of the appellant. The AO has not even bothered to note whether the appellant has filed the returns of income or whether the said transaction has been recorded and also whether the documents which were found at the premises of the searched person, having the transaction with the appellant lead to what sort of consequences with the searched party and its assessment of income. There is a complete silence of any such observation in the satisfaction note. The satisfaction note even fails to identify the year of transaction and just mentions the seized

material. It is seen that even the word incriminating material or unaccounted of a particular amount is completely absent in the satisfaction note so drawn by the AO. Therefore, the above satisfaction note fails to comply within the parameters of satisfaction under sub section (1) of section 153C of the Act.

It is relevant to refer the decision of Hon'ble Supreme Court in the case of *ACIT & Another V. Pepsi Foods Pvt. Ltd.*, SLP No. 4659/2015, dt. 04.12.2017, wherein Hon'ble Apex Court dismissed the SLP and affirmed the view of Delhi High Court, wherein it was held as under:

"11. It is evident from the above satisfaction note that apart from saying that the documents belonged to the petitioner and that the Assessing Officer is satisfied that it is a fit case for issuance of a notice under Section 153C, there is nothing which would indicate as to how the presumptions which are to be normally raised as indicated above, have been rebutted by the Assessing Officer. Mere use or mention of the word "satisfaction" or the words "I am satisfied" in the order or the note would not meet the requirement of the concept of satisfaction as used in Section 153C of the said Act. The satisfaction note itself must display the reasons or basis for the conclusion that the Assessing Officer of the searched person is satisfied that the seized documents belong to a person other than the searched person. We are afraid, that going through the contents of the satisfaction note, we are unable to discern any "satisfaction" of the kind required under Section 153C of the said Act."

In the present case, the Assessing Officer simply mentioned in the Satisfaction Note, as brought out above, that he was satisfied that the information contained in the seized material pertains to the appellant. The satisfaction note does not 'display' any reasons or basis for concluding that the seized material pertains to and has a bearing on determination of income of the appellant. Therefore, as held by the Hon'ble Apex Court, 'satisfaction' as required by the provisions of Sec. 153C is conspicuously absent in the so-

called satisfaction note recorded by the Assessing Officer in the present case under consideration.

Hon'ble Supreme Court in Tapan Kumar Dutta Versus CIT, West Bengal, Civil Appeal No. 2014 of 2007, dt. 24.04.2018, made a similar observation, as under:

"Although Section 158BD does not speak of 'recording of reasons' as postulated in Section 148, but since proceedings under section 158BD may have monetary implications, such satisfaction must reveal mental and dispassionate thought process of the Assessing Officer in arriving at a conclusion and must contain reasons which should be the basis of initiating the proceedings under section 158BD."

Further, the appellant has also relied upon the decision of Hon'ble Supreme Court, in the case of *CIT vs Sinhgad Technical Education Society* (Civil appeal No.11080 of 2017) 84 taxmann.com 290 (2017) (SC), wherein the Hon'ble Apex Court has affirmed the view that as per the provisions of Section 153C of the Act, the incriminating material which was seized has to pertain to the assessment year in question and the documents seized has to establish a co-relation, document wise with the AYs where the assessment was initiated by invoking section 153C. The relevant extract of the ratio of the Hon'ble Supreme Court is reproduced below:

"18. The ITAT permitted this additional ground by giving a reason that it was a jurisdictional issue taken up on the basis of facts already on the record and, therefore, could be raised. In this behalf, it was noted by the ITAT that as per the provisions of Section 153C of the Act, incriminating material which was seized had to pertain to the Assessment Years in question and it is an undisputed fact that the documents which were seized did not establish any co-relation, document-wise, with these four Assessment Years. Since this requirement under Section 153C of the Act is essential for assessment under that provision, it becomes a jurisdictional fact. We find this reasoning to be logical and valid, having regard to the provisions of

Section 153C of the Act. Para 9 of the order of the ITAT reveals that the ITAT had scanned through the Satisfaction Note and the material which was disclosed therein was culled out and it showed that the same belongs to Assessment Year 2004-05 or thereafter. After taking note of the material in para 9 of the order, the position that emerges there from is discussed in para 10. It was specifically recorded that the counsel for the Department could not point out to the contrary. It is for this reason the High Court has also given its imprimatur to the aforesaid approach of the Tribunal. That apart, learned senior counsel appearing for the respondent, argued that notice in respect of Assessment Years 2000-01 and 2001-02 was even time barred."

In view of the judicial pronouncements of Hon'ble Supreme Court, as brought out above, it can be clearly seen that the Assessing Officer, in the present case, has only mechanically recorded the satisfaction for AYs 2015-16 to AY 2021-22, but has not established any correlation as to how the seized material pertains to each of the assessment years involved. Therefore, there is no basis to invoke provisions u/s. 153C for the assessment years under adjudication.

In view of the legal position discussed in the light of decisions of Hon'ble Apex Court and the observations made in the preceding paragraphs, it is fair to conclude that the satisfaction was not recorded as required under the provisions of Sec. 153C and therefore, is not correct in assuming jurisdiction u/s. 153C. Accordingly, the notices u/s.153C issued to the appellant are held to be bad in law and therefore quashed. Hence, as the notice u/s. 153C has not been issued in a proper manner and procedure, the same renders the proceedings u/s. 153C invalid and therefore the consequent assessments u/s. 153C are hereby quashed. The appellant gets relief in the ground nos. 2 and 3 of all the appeals accordingly.

In each of the appeal, the appellant has also contended that the necessary approval u/s. 153D from the appropriate authority has not been obtained by the AO prior to completion of assessment proceedings. The appellant relied upon the decision of Hon'ble High Court of Orissa in the case of *ACIT vs.M/s. Serajuddin & Co. Kolkata* in support of its contentions.

In this regard it is observed from the records that the AO has obtained the approval as required u/s. 153D, however, the same was not mentioned in the body of the assessment order. As the present cases are adjudicated on the issue of initiation of proceedings itself and as the notice u/s. 153C is held invalid, the issue of approval 153D becomes infructuous for adjudication.

The specific grounds relating to each year on other issues therefore become infructuous for adjudication in view of the relief granted in the ground nos.2 and 3 of each of the appeals.

To sum up, all the six appeals for AY 2015-16 to AY 2020-21 are **allowed.**

7. Aggrieved with the order of Ld. CIT(A) order, the revenue is in appeal before the Tribunal. The Learned Department Representative Smt. U Mini Chandra, CIT-DR submitted that the Ld. CIT(A) has erred in quashing the notice issued u/s.153C of the Act and consequent assessment order passed by the Assessing Officer, though the Assessing Officer has recorded satisfaction u/s.153C of the Act on the basis of seized material found during

the course of search and satisfied that the material found during the course of search has bearing on the total income of the assessee for the A.Ys. 2015-16 to 2021-22. The Ld. DR further submitted that, the Ld. CIT(A) has erred in quashing the notice and consequent assessment order passed by the Assessing Officer by placing reliance on the decision of Hon'ble Supreme Court in the case of CIT Vs. Sinhgad Technical Education Society (supra), even though the decisions relied upon by the Ld. CIT(A) are distinguishable from the facts of the present case, without adjudicating the issue of additions made by the Assessing Officer based on the seized material. The Ld. DR further referring to the reports of the Assessing Officer dated 16.01.2025; 04.03.2025 and 23.10.2025 submitted that the Assessing Officer has made additions towards repayment of loans taken from Usha Pictures and Financiers on the basis of loose sheets found during the course of search which contain details of payments as recorded in the rough cash book maintained by Usha Pictures and Financiers. Further, the Assessing Officer had also considered a

Pendrive containing appraisal report and soft copy of all the seized material (including handwritten cash books seized) pertaining to the respective movie producers, on 04.08.2022, which is evidenced by a letter dated 16.12.2022 of **ACIT, Central Circle-2, Rajahmundry** and as per the hand written cash book, it is observed that the assessee has received loans in cash and also repayments were made in cash and the same has been tabled in the assessment order. The screen shots of the entries of cash loans repaid by the assessee to Usha Pictures & Financiers are also enclosed to the letter of the Assessing Officer. Further, the cash loans received by the assessee are evidenced by the collateral documents and acknowledged by the assessee himself which is evident from the documents seized during the course of search and therefore, the Assessing Officer made additions in the assessment towards cash loans repaid by the assessee as unexplained money u/s.69A of the Act. Therefore it is submitted by the Ld. DR that the Assessing Officer has considered relevant seized material seized during the course of search, while

recording satisfaction note and arrived at a conclusion that the said material has a bearing on the total income of the assessee for the assessment year under consideration. However, by following certain judicial precedents and the decision of Hon'ble Supreme Court in the case of ACIT & Another Vs. Pepsi Foods Pvt.Ltd. (supra) and also the decision of CIT Vs. Sinhgad Technical Education Society (supra), the Ld. CIT(A) quashed the assessment order on the ground that the satisfaction note recorded by the Assessing Officer dated 30.06.2022, is not satisfied the provisions of section 153C of the Act. The Ld. DR further referring to the decision of Hon'ble Delhi High court in the case of Indian National Congress Vs. DCIT (2024) 463 ITR 431 (Del) submitted that, satisfaction note merely forms foundation for initiation of action which would enable to evaluate whether an opinion has been validly formed and as long as it rests on incriminating material which pertains to assessment years in question, same would meet the requirement of section 153C of the Act. Therefore, the Ld. DR submitted that the Ld. CIT(A)

without appreciating the relevant facts, simply quashed the assessment order passed by the Assessing Officer u/s.153C of the Act. The Ld. DR submitted that the order of Ld. CIT(A) should be set aside and additions made by the Assessing Officer should be upheld.

8. The learned counsel for the assessee Shri A Srinivas, CA, on the other hand, supporting the order of Ld. CIT(A) submitted that the satisfaction note recorded by the Assessing Officer on 27.03.2022 does not show any light on the undisclosed income of the assessee pertains to a specific assessment year under consideration, it is evident from Col.6 of the satisfaction note where the Assessing Officer refers to certain loose sheets found during the course of search and claimed that Usha Pictures & Financiers has lent loan to the assessee and said information has bearing on the determination of the total income of the assessee for the A.Y. 2015-16 without even specifying as to how and why the said loose sheets pertains to A.Y. 2015-16 and has a bearing on the total income of the assessee. The learned counsel for the

assessee further referring to the seized material considered by the Assessing Officer for the purpose of recording satisfaction and for the purpose of additions towards repayment of any loans submitted that, the seized material considered by the Assessing Officer for the purpose of recording satisfaction are different and documents considered for the purpose of additions towards repayment of loans are different which is evident from the report of the Assessing Officer dated 04.03.2025, where the Assessing Officer clearly admitted that the additions made was based on the seized material though not forming part of the seized material initially sent along with the satisfaction note by the Assessing Officer of the searched person. From the above admission of the Assessing Officer, it is very clear that the loose sheets found during the course of search and considered by the Assessing Officer for recording satisfaction is different and the documents considered by the Assessing Officer for the purpose of additions towards repayment of loans are different. Since, there is no correlation between the incriminating material found during the

course of search for the purpose of satisfaction note u/s. 153C of the Act and the seized material considered by the Assessing Officer for the purpose of assessment, the satisfaction note by the Assessing Officer before initiating the proceedings u/s.153C of the Act cannot be said to be a valid satisfaction as required to be recorded u/s.153C of the Act and consequently the Ld. CIT(A) has rightly quashed the notice issued u/s.153C of the Act and consequent assessment order passed by the A.O. Therefore, he submitted that the order of the Ld. CIT(A) should be upheld. In this regard, he relied upon the decisions of (a) ACIT & Another Vs. Pepsi Foods Pvt.Ltd. (supra) (b) CIT Vs. Sinhgad Technical Education Society (supra) and (c) ITAT decision in the case of Sudhakar Reddy Nalla Vs. DCIT (ITA No.1098/Hyd/2024 dated 01.04.2025)

9. We have heard both the parties, perused the materials on record and had gone through the orders of authorities below. We have also carefully considered the satisfaction note recorded by the Assessing Officer u/s. 153C of the Act dated

27.06.2022, in light of various judicial pronouncements referred to by the learned counsel for the assessee and also learned CIT-DR. Admittedly, the Assessing Officer has recorded a combined satisfaction note for the assessment years 2015-16 to 2021-22 and observed that the information contained in the documents / loose sheets seized in the case of Sri V V Bala Krishna Rao (HUF) pertains to the assessee and the information contained therein has bearing on the determination of the total income of the assessee for the assessment year under consideration. The Assessing Officer has also referred to certain loose sheets found during the course of search vide Annexures UPF/RP/15, 25 & 31 and claimed that the Usha Pictures and Financiers has lent loan to Sri Atchi Reddy Kovvuri, Proprietor of Max India Productions. However, there is no finding as to linking up a particular loose sheet or document qua each assessment year including for the assessment year 2015-16 to satisfy that the information(s) contained in the above loose sheets has bearing on the total income of the assessee. In our considered view, the satisfaction

note recorded by the A.O. shall specifically or explicitly state the particular loose sheet or document found during the course of search is having a bearing on the total income of a particular assessment year. In other words, when the A.O. had recorded a combined satisfaction note for more than one assessment year, then it is necessary for the A.O. to link a particular material found during the course of search qua each assessment year and arrive at a conclusion that information contained in the said material has a bearing on the determination of income of a particular assessment year, as held by the Hon'ble Delhi High Court in the case of Saksham Commodities Ltd. Vs. ITO (2024) 464 ITR 1 (Del), wherein it has been clearly held that the satisfaction notes would have to evidence a formation of opinion that the material is likely to be incriminating for more than a singular assessment year and warranting proceedings under section 153C for the assessment years in addition to those to which the material may be directly relatable. A similar view has been taken by Hon'ble Supreme Court in the case of ACIT & Another Vs. Pepsi Foods Pvt.Ltd.

(supra), where it has been clearly held that the satisfaction note must describe the reasons or basis for the conclusion that the Assessing Officer of the searched person is satisfied that the seized documents belong to a person other than the searched person and further has a bearing on the total income for a particular assessment year. Mere use or mention of the words 'satisfaction' or the words 'I am satisfied' in the order or the note would not meet the requirement of the concept of satisfaction as used in section 153C of the Act. The Hon'ble Supreme Court at another case of CIT Vs. Sinhgad Technical Education Society (supra) also considered a similar issue and very clearly held that incriminating material which was seized had to be pertained to the assessment years in question and has a bearing on the total income of the assessee for a particular assessment year.

10. In the present case, going by the satisfaction note recorded by the A.O. u/s. 153C of the Act dated 27.06.2022, we find that although the satisfaction note mentions of certain loose sheets were found during the course of search in the case of Sri

V. V. Bala Krishna Rao (HUF) and seized vide Annx/UPF/RP/EL-1 to 155, but there is no discussion as to how those loose sheets translate into an information of undisclosed income in the hands of the assessee for the assessment year under consideration. Further, although the A.O. in para Nos.5 & 6 of the satisfaction note refers to loan transactions between Usha Pictures & Financiers and the assessee, but failed to give any finding as to how those transactions translate into income of the assessee and more particularly for the assessment year 2015-16. There is no mention in the satisfaction of the A.O. of the searched person as to how the documents translate into income of the assessee. Therefore, in our considered opinion, since there is no discussion of incriminating material or undisclosed income emanating from search material, the satisfaction note recorded by the A.O. u/s. 153C of the Act dated 27.06.2022 cannot be said to be a valid satisfaction note under the requirement of provisions of section 153C of the Act. The provisions of section 153C of the Act clearly brings out the onus on the A.O. to bring out the satisfaction that

the seized documents have a bearing on the determination of total income of such other person than a searched person.

11. In the present case, as per the satisfaction note recorded by the A.O., there is no satisfaction as to how the documents found during the course of search translate into the unaccounted and undisclosed income of the assessee. This is further fortified by the report of A.O. dated 04.03.2025, where the Assessing Officer clearly admitted that the additions made was based on the seized material though not forming part of the seized material sent initially along with the satisfaction note by the A.O. of the searched person. From the above admission of the A.O., it is very clear that the loose sheets found during the course of search and considered by the A.O. for recording satisfaction u/s.153C of the Act does not show any undisclosed income of the assessee for the assessment year 2015-16 which has a bearing on the determination of total income of the assessee. The A.O. further admitted that the additions made towards repayment of cash loan taken from Usha Pictures and Financiers is based on hand

written cash book which has been sent by the ACIT, Central Circle 2, Rajahmundry after recording satisfaction by the A.O. of the searched person for issuing notice u/s.153C of the Act. Since the satisfaction note recorded by the A.O. and material considered for the purpose of satisfaction is different from the material considered by the A.O. for the purpose of addition towards repayment of cash loan, in our considered view, the satisfaction note recorded by the A.O. before initiation of proceedings u/s. 153C of the Act is vague, general, without specifying as to the nature of documents found during the course of search and the assessment year to which the said documents relates to and has a bearing on the determination of total income of the assessee for the A.Y. 2015-16. Therefore, in our considered opinion, the satisfaction note recorded by the A.O. u/s.153C of the Act dated 27.06.2022 is not a valid satisfaction and consequently notice issued u/s. 153C of the Act on the basis of satisfaction note and consequent assessment order passed by the A.O. has been rightly quashed by the Ld. CIT(A).

12. In so far as the case laws relied upon by the Ld. DR in the case of Indian National Congress Vs. DCIT (supra), we find that the above case law also supports the case of the assessee which is evident from the finding given by the Hon'ble High Court of Delhi in para nos.23 to 25, where it has been clearly held that satisfaction note merely forms foundation of initiation of action which would enable to evaluate whether an opinion has been validly formed and as long as it rests on incriminating material which pertains to assessment years in question, same should qualify requirement of the provisions of section 153C of the Act. In other words, the Hon'ble Delhi High Court very clearly held that in order to consider a valid satisfaction note, it must be based on the information on the basis of incriminating material which pertains to the assessment year in question. In the present case, going by the facts available on record including the satisfaction note recorded by the A.O., in our considered view, there is no clear link between the loose sheets found during the course of search to each assessment year including the A.Y. 2015-16 and

satisfaction by the A.O. which has a bearing on the total income of the assessee for the assessment year under consideration.

13. In this view of the matter and considering the facts and circumstances of the case and also by following the ratios laid down by various courts including in the case of ACIT & Another Vs. Pepsi Foods Pvt.Ltd. (supra), we are of the considered view that the Ld. CIT(A) has rightly quashed initiation of proceedings u/s. 153C of the Act and issue of notice u/s.153C of the Act dated 30.06.2022 and consequent assessment order u/s. 153C r.w.s. 144 of the Act dated 14.03.2023. Thus, we are inclined to uphold the findings of Ld. CIT(A) and dismiss the appeal filed by the revenue.

14. In the result, the appeal filed by the revenue is dismissed.

ITA Nos.318 & 319/Hyd/2024 (M/s. Light House Movie Makers LLP)

15. The facts involved in these two appeals filed by the revenue in M/s. Light House Movie Makers LLP for the A.Ys 2019-

20 and 2020-21 are identical to the facts and issues which we had considered in ITA No.297/Hyd/2024, in the case of Shri Atchi Reddy Kovvuri for the A.Y. 2015-16. The A.O. has made similar additions of repayments of cash loans to Usha Pictures and Financiers on the basis of loose sheets found during the course of search. The Ld. CIT(A) vide his orders both dated 19.11.2024 had quashed the notice issued u/s.153C of the Act and consequent assessment order passed u/s. 153C r.w.s. 144 of the Act, by holding that the initiation of proceedings on the basis of satisfaction note by the A.O. is invalid and consequent assessment proceedings are liable to be quashed. We have considered the identical issue in ITA No.297/Hyd/2024 in the case of Shri Atchi Reddy Kovvuri for the A.Y. 2015-16. The reasons given by us in para nos.9 to 13 shall apply mutatis mutandis to these appeals, as well. Therefore for similar reasons, we are inclined to uphold the findings of the Ld. CIT(A) and dismiss the appeals filed by the revenue for both the assessment years.

16. In the result, both the appeals filed by the revenue are dismissed.

17. To sum up, the appeals in ITA Nos.297, 318 & 319/Hyd/2024 are dismissed.

Order pronounced in the open Court on 24th Dec., 2025.

Sd/-

**(RAVISH SOOD)
JUDICIAL MEMBER**

Hyderabad,

Dated: 24.12.2025.

** Reddy gp*

Copy of the Order forwarded to :

Sd/-

**(MANJUNATHA G)
ACCOUNTANT MEMBER**

1.	a) Shri Atchi Reddy Kovvuri, Plot No.2758A/D, Road No.12, Banjara Hills, Hyderabad-500 034; b) M/s. Light House Movie Makers LLP, Survey No.14, 20, 21, 22, 23, Dargah HussainShawali Vill., Golconda, Hyderabad-500 008
2.	The DCIT, Central Circle 1(3), Hyderabad.
3.	Pr.CIT (Central), Hyderabad.
4.	DR, ITAT, Hyderabad.
5.	Guard file.

BY ORDER,