

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

श्री रवीश सूद, माननीय न्यायिक सदस्य एवं श्री मधुसूदन सावडिया, माननीय लेखा सदस्य
SHRI RAVISH SOOD, HON'BLE JUDICIAL MEMBER
AND
SHRI MADHUSUDAN SAWDIA, HON'BLE ACCOUNTANT MEMBER

आ.अपी.सं / **ITA No.657/Hyd/2025**
(निर्धारण वर्ष / Assessment Year: 2014-15)

M/s. MBG Commodities Pvt. Ltd., Hyderabad. PAN: AAICM1188N	Vs.	Asst. Commissioner of Income Tax, Circle 5(1), Hyderabad.
(Appellant)		(Respondent)
निर्धारिती द्वारा / Assessee by:	Shri B. Satyanarayana, C.A.	
राजस्व द्वारा / Revenue by:	Ms. K. Haritha, CIT-DR	
सुनवाई की तारीख / Date of hearing:	18/12/2025	
घोषणा की तारीख / Pronouncement:	26/12/2025	

आदेश/ORDER

PER RAVISH SOOD, JM:

The present appeal filed by the assessee company is directed against the order passed by the CIT(Appeals), NFAC, dated 19/02/2025, which in turn arises from the order passed by the AO under Section 147 r.w Section 144B of the Income-tax Act, 1961, dated 25.03.2022, for the Assessment Year 2014-15. The assessee company has assailed the impugned order of the CIT(Appeals) on the following grounds of appeal before us:

“1. For these and other grounds that may be urged at the time of the hearing of the Appeal it is prayed that the Order of the learned Commissioner of Income Tax may kindly be set aside or modified as may be deemed fit.

2. The Orders of the lower authorities are contrary to the facts of the case and Provisions of Law.

3. The learned Commissioner of Income Tax is not justified sustaining and reopening of the Assessment U/s. 147 of the Income Tax Act.

4. The learned Commissioner of Income Tax erred in sustaining the addition of Rs. 1,77,00,000 in the reassessment of the Appellant Company.

5. The learned Commissioner of Income Tax is not correct in sustaining the addition of Rs. 1,77,00,000 when it was clearly brought to his notice that the Appellant Company did not have any dealings with those Companies much less any accommodation entries from them as detailed as under:

6. M/s MB Offshore Distributors Private Limited Rs. 59,00,000 (2). M/s RA Distributors Private Limited Rs. 59,00,000 (3). M/s Ridhi Exports Private Limited Rs. 59,00,000.

7. The learned Commissioner of Income Tax erred in sustaining the addition without any evidence or entries in the Bank Accounts of the Appellant Company or in its Books of Accounts.

8. The learned Commissioner of Income Tax erred in simply sustaining the addition of Rs. 1,77,00,000 relying only on the information given by DDIT (Investigation) Unit-2 Surat, without any further evidence to show that the Appellant Company had any accounting transactions with the so called bogus Companies.

9. The learned Commissioner of Income Tax erred in ignoring the ground for direction for proper credits to advance tax, self-assessment tax and regular tax paid by the Appellant Company for the year under consideration.”

2. Succinctly stated, the AO, based on information gathered from the Insight Portal/ITBA that the assessee company had received accommodation entries aggregating to Rs. 1.77 crores during the Financial Year 2013-14 from three entities, viz., (i) M/s MB Offshore Distributors Private Limited:

Rs. 59,00,000/-; (ii) M/s RA Distributors Private Limited: Rs. 59,00,000/-; and (iii) M/s Ridhi Exports Private Limited: Rs. 59,00,000/-, which were stated to be operated by one Shri Afroz Hassan Fattal, an infamous entry operator, initiated proceedings under Section 147 of the Act. Notice under Section 148 of the Act, dated 31.03.2021, was issued by the AO. In compliance, the assessee company had filed its return of income for the year under consideration, i.e., AY 2014-15, on 23.04.2021, declaring an income of Rs. 39,61,56,110/-. Notice under Section 143(2) of the Act was issued by the AO on 26.10.2021, followed by notices under Section 142(1) of the Act, in compliance whereof the assessee company furnished its replies and placed on record copies of all its bank statements, running into about 285 pages, evidencing transactions in its fourteen bank accounts maintained during the relevant previous year.

3. During the course of the assessment proceedings, the assessee company consistently submitted before the AO that it had not entered into any transaction, either by way of unsecured loan or otherwise, with any of the three entities named in the Investigation report. Despite the same, the AO,

relying solely on the report received from the DDIT (Investigation), Unit-2, Surat, concluded that the assessee company was a beneficiary of accommodation entries amounting to Rs. 1.77 crores, and, thus, treated the same as its unexplained money under Section 69A of the Act. Accordingly, the AO vide his order passed under Section 147 r.w.s 144B of the Act, dated 25/03/2022, determined the income of the assessee company at Rs. 41,38,56,100/-.

4. Aggrieved, the assessee company carried the matter in appeal before the CIT(Appeals), NFAC, wherein it had assailed the impugned order passed by the AO under Section 147 r.w.s 144B of the Act, dated 25/03/2022, primarily on the grounds, viz. (i). that as the AO had failed to bring on record any material to establish receipt of the alleged amounts of Rs. 1.77 crores (supra) from the aforementioned three parties, therefore, the reopening was bad in law; and (ii). that the AO had made the impugned addition without pointing out any corresponding credit entry in its books of account or the bank statements. The CIT(Appeals), however, upheld the action of the AO and sustained the addition of Rs. 1.77 crores solely on

the basis of the investigation report without adverting to the bank statements furnished by the assessee company.

5. The assessee company aggrieved by the CIT(Appeals) order has carried the matter in appeal before us.

6. We have heard the Ld. Authorised Representatives of both parties, perused the orders of the authorities below and the material available on record.

7. Shri. B. Satyanarayana Murthy, the Ld. Authorised Representative (for short, "AR") for the assessee company, reiterated that the assessee company had never received any amount from the three entities in question and that the entire addition rested only on unsubstantiated third-party information. The Ld. AR submitted that despite furnishing the copies of all bank statements, no specific material supporting the adverse inference drawn by both the authorities below had surfaced. Apart from that, the assessee company, in compliance with the directions of the Tribunal, had filed before us an "affidavit" dated 17.12.2025 of Shri Sachidanand Keshri, Director of the assessee company, wherein he had deposed that the assessee company had not received any amount of Rs.

59 lac each, or otherwise, from the subject three parties, viz.

(i). M/s MB Offshore Distributors Private Limited; (ii). M/s RA Distributors Private Limited; and (iii). M/s Ridhi Exports Private Limited during the subject year.

8. Per Contra, the Ld. CIT-DR, on the other hand, placed on record a copy of an “Inquiry Report in the case of Shri Afroz Fatta (10+ STRs)” along with certain documents, but she failed to point out that as to how the same supported the impugned addition of Rs. 1.77 crore (supra) that was made by the AO. Rather, despite specific directions by the Tribunal, no material has been placed on record which could conclusively establish that the assessee company had, in fact, received the alleged sums or any part thereof from the aforementioned three entities during the relevant previous year.

9. We have given thoughtful consideration to the contentions advanced by the Ld. Authorised Representatives of both parties in the backdrop of the orders of the authorities below.

10. Admittedly, the reassessment proceedings in the present case were triggered based on the information gathered

by the AO from the Insight Portal/ITBA that the assessee company had received accommodation entries aggregating to Rs. 1.77 crores from various shell companies, viz. (i). M/s MB Offshore Distributors Private Limited; (ii). M/s RA Distributors Private Limited; and (iii). M/s Ridhi Exports Private Limited. Further, we find on a perusal of the assessment order that the DDIT (Inv.), Unit-2, Surat, had also shared the aforesaid information with the AO. However, it is equally evident that neither the AO nor the CIT(Appeals) has identified any corresponding credit entry in the bank accounts or books of the assessee company, evidencing the actual receipt of Rs. 1.77 crores or any part thereof from the aforesaid tainted parties. The addition has been made merely on the strength of the investigation report, without any independent verification or corroboration.

11. While we deprecate the conduct of the Department in making a substantial addition in the hands of the assessee company without supporting the same by any cogent documentary evidence, much less confronting such material to the latter, at the same time we are of the considered view that, in all fairness, the matter requires to be restored to the file of

the AO for fresh adjudication. We say so, specifically for the reason that the assessee has filed before us a sworn “affidavit”, dated 17/12/2025, denying the receipt of the alleged amounts and has placed on record complete bank statements, which we find the Revenue has not been able to rebut.

12. We, thus, in terms of our aforesaid observations set aside the issue relating to the addition of Rs. 1.77 crores made by the AO under Section 69A of the Act to the file of the AO, who is directed to re-adjudicate the same afresh after examining and referring to documentary evidence, if any, which may support the Revenue’s allegation that the assessee company had, during the year under consideration, received an amount of Rs. 59 lacs each from the aforementioned three entities.

13. Needless to say, in the event the AO comes across any such documentary evidence in the course of the set-aside proceedings, the same shall be duly confronted to the assessee company, and a reasonable opportunity of being heard shall be afforded to it before drawing any adverse inference. Also, the assessee company shall, in the course of the set aside

proceedings, remain at liberty to substantiate its claim in accordance with the extant law.

14. Resultantly, the appeal filed by the assessee company is allowed for statistical purposes in terms of our aforesaid observations.

Order pronounced in the open Court on 26th Dec., 2025.

Sd/-
(MADHUSUDAN SAWDIA)
ACCOUNTANT MEMBER

Sd/-
(RAVISH SOOD)
JUDICIAL MEMBER

Hyderabad.
Dated: 26.12.2025.

* *Reddy gp*

Copy of the Order forwarded to :

1.	M/s. MBG Commodities Pvt. Ltd., 8-2-293/174/A/26/2, 2 nd Floor, Road No.14, Banjara Hills, Hyderabad-500034
2.	ACIT, Circle 5(1), Hyderabad.
3.	Pr.CIT, Hyderabad.
4.	DR, ITAT, Hyderabad.
5.	Guard file.

BY ORDER,