

**IN THE INCOME TAX APPELLATE TRIBUNAL**  
**"SMC" BENCH, MUMBAI**  
**BEFORE SHRI PAWAN SINGH, JUDICIAL MEMBER**  
**ITA No. 6538/MUM/2025 (AY : 2018-19)**  
*(Physical hearing)*

DCIT, Circle 2(3)(1), Mumbai 552, 5 <sup>th</sup> Floor, Aayakar Bhawan, M.K. Road, Mumbai – 400020.	Vs	Nissim Traders Private Limited e-203, Guruprasad Plot No. 5, S.S. Nagar, Cross Road No. 2, Andheri East, Azad Nagar, Mumbai – 400053. [PAN: AABCN3760G]
Appellant / Revenue		Respondent / Assessee

Assessee by	Shri P.V. Desai, ITP
Revenue by	Shri Mahesh Shingate, Sr. DR
Date of institution of appeal	13.10.2025
Date of hearing	21.01.2026
Date of pronouncement	21.01.2026

**Order under section 254(1) of Income Tax Act**

**PER PAWAN SINGH, JUDICIAL MEMBER:**

1. This appeal by assessee is directed against the assessment order of Id. CIT(A)/NFAC dated 19.08.2025 for Assessment Year (AY) 2018-19. The Revenue has raised the following grounds of appeal:

*"1. Whether on the facts and in the circumstances of the case, and in law, the Ld. CTT(A) erred in restricting the addition on account of bogus purchases from Rs. 11,65,922/- to Rs. 64,125/- by applying the gross profit rate of 5.5%, without appreciating 1 that the purchases made from M/s Lakshin Infradev Pvt. Ltd. were found to be non-genuine and devoid of actual delivery of goods, based on credible information from the GST Department and Search & Survey findings at M/s Nyles Sales Agencies Pvt. Ltd?"*

*2. The appellant craves the leave to add, amend, alter and/OR DLEETE any of the grounds of appeal as above."*

2. Rival submissions of both the parties have been heard and record perused. The learned Senior Departmental Representative (Id. Sr. DR) for the Revenue submits that though the tax effect involved in the present appeal is only Rs.

3,06,519/-. However, the case falls under exception clause of CBDT Circular No. 5 of 2024 dated 15.03.2024. The Id. Sr. DR for the Revenue submits that assessee has shown purchases from hawala dealers who are indulging in providing bogus bills without actual delivery of goods. The assessee is beneficiary of purchases shown from M/s. Lakshin Infradev P. Ltd. and M/s. Nutan Enterprises aggregating of Rs. 11,65,922/-. The Investigation Wing made a full-fledged investigation in respect of hawala dealers. The assessing officer on the basis of such credible information treated the purchases from both the entities as bogus and disallowed 100% of such purchases. The Id. CIT(A) restricted the addition to the extent of 5.50% of such purchases on the basis of submission filed by assessee. Before assessing officer, the assessee failed to prove the genuineness of purchases. The Id. Sr. DR for the Revenue submits that Bombay High Court in recent decision in case of PCIT V. Kanak Impex (India) Ltd. in ITA No. 791 of 2021 dated 03.03.2025 reverse the decision of Tribunal in confirming the estimation of similar bogus purchases. At the time of hearing, the Id. Sr. DR for the Revenue was asked to specify the nature (items) of impugned purchases. The Id. Sr. DR for the Revenue after going through the assessment order submits that there is no reference about the nature and items of purchases, in the entire assessment order.

3. On the other hand, learned Authorised Representative (Id. AR) of the assessee supported the order of Id. CIT(A). The Id. Sr. DR for the Revenue submits that assessee has shown book profit under section 115JB of Rs. 40,16,199/-. The assessee made purchases of fabric and fabric items. The sale of assessee is not disputed. The sale is not possible in absence of purchases. The turnover of

assessee is more Rs. 25.00 crores. There is no occasion for assessee to avoid the tax liability of inflating expenses. Though the Id. CIT(A) restricted the addition to the extent of 5.55 % that is to the extent of gross profit declared by assessee. The impugned purchases are less than 0.5% of the total purchases. The total purchases of assessee during the year is of Rs. 24.86 crores. The Id AR of the assessee supported the order of Id CIT(A).

4. I have considered the rival submissions of both the parties and have gone through the orders of lower authorities. I find that assessing officer made addition of 100% of purchases shown from two parties namely M/s. Lakshin Infradev P. Ltd. and M/s. Nutan Enterprises instead of giving specific finding on the plea and reply furnished by assessee. The assessing officer solely relied upon the information with him. I find that total sale of the assessee as recorded by Id. CIT(A) on page 6 of his order is more than Rs.26.00 crores. The total purchases of assessee is more than Rs. 24.00 crores. The impugned purchases are only 0.475 of total purchases. I further find that sales of assessee is not disputed by assessing officer. The assessment is framed in a casual manner without specifying the nature of purchase. I find that Id. CIT(A) has restricted the addition to the extent of gross profit declared by assessee. In my considered view, the disallowance restricted by Id. CIT(A) is sufficient to avoid the possibility of Revenue leakage. Thus, on my independent appreciation of fact, I do not find any reason to interfere with the finding of Id. CIT(A).
5. The case law relied by Id. Sr. DR for the Revenue in Kanak Impex (India) Ltd. (supra) is not applicable on the facts of the present case. In Kanak Impex (India) Ltd. (supra), the assessing officer doubted the source of purchases

itself. In Kanak Impex (India) Ltd. (supra), the assessee has shown purchases of Diamonds of more than Rs.20.00 crores wherein a taxable return of income was miniscule. In the case in hand, the assessing officer has not doubted the source of purchases rather doubted purchase on the basis of information available with him. Thus, the ratio of decision in Kanak Impex (India) Ltd. (supra) is not applicable on the facts of the present case. In the result, the grounds of appeal raised by Revenue is dismissed.

6. In the result, the appeal of Revenue is dismissed.

Order pronounced in the open Court on 21/01/2026.

**Sd/-**

**PAWAN SINGH  
JUDICIAL MEMBER**

MUMBAI, Dated: 21/01/2026  
*Biswajit*

Copy of the order forwarded to:

- (1) *The Assessee;*
- (2) *The Revenue;*
- (3) *The PCIT / CIT (Judicial);*
- (4) *The DR, ITAT, Mumbai; and*
- (5) *Guard file.*

By Order

Assistant Registrar  
ITAT, Mumbai