

**IN THE INCOME TAX APPELLATE TRIBUNAL “G” BENCH, MUMBAI  
BEFORE SHRI SAKTIJIT DEY, VICE PRESIDENT AND  
SHRI JAGADISH, ACCOUNTANT MEMBER**

ITA No.	Assessment Years
3977/Mum/2025	2013-14
3978/Mum/2025	2014-15
3982/Mum/2025	2016-17
3983/Mum/2025	2015-16

DCIT, Central Circle 7(1), Mumbai - 400020	Vs.	Supreme Holdings & Hospitality (India), 1, Pearl Mansion N 91, M. Karve Road, Marine Lines, Mumbai - 400020
<b>(Appellant)</b>	:	<b>(Respondent)</b>
		PAN NO. AABCS 9242A

and

C.O. Nos.	ITA No.	Assessment Years
189/Mum/2025	3977/Mum/2025	2013-14
190/Mum/2025	3978/Mum/2025	2014-15
192/Mum/2025	3982/Mum/2025	2016-17
191/Mum/2025	3983/Mum/2025	2015-16

DCIT, Central Circle 7(1), Mumbai - 400020	Vs.	Supreme Holdings & Hospitality (India), 1, Pearl Mansion N 91, M. Karve Road, Marine Lines, Mumbai - 400020
<b>(Appellant)</b>	:	<b>(Respondent)</b>
		PAN NO. AABCS 9242A

<b>Appellant by</b>	:	Shri Siddharth Srivastava
<b>Respondent by</b>	:	Shri Arun Kanti Datta, CIT-DR
<b>(Appellant)</b>		<b>(Respondent)</b>

<b>Date of Hearing</b>	:	19.01.2026
<b>Date of Pronouncement</b>	:	23.01.2026

## ORDER

Per Saktijit Dey, Vice President:

Captioned appeals by the Revenue and cross objections by the assessee arise out of a common order of learned Commissioner of Income Tax (Appeals) [in short 'CIT(A)'], Mumbai pertaining to Assessment Years (AYs) 2013-14, 2014-15, 2015-16 and 2016-17. Since facts involved and issues arising in the appeals and cross objections are more or less identical, they have been clubbed together and disposed of in a common order, for the sake convenience.

2. At the outset, we propose to deal with the appeals filed by the Department. Since, facts, in all the appeals are identical except minor variation, we propose to take up the appeal for A.Y. 2013-14 being ITA No. 3977/Mum/2025 as the lead matter.

3. Briefly stated, the assessee is a listed resident corporate entity and stated to be engaged in Real Estate business. For the A.Y. 2013-14, assessee filed its Return of Income (RoI), declaring loss of Rs.48,93,158/-. On 17.04.2018, a search and seizure operation u/s. 132(1) of the Income Tax Act, 1961 (in short the 'Act') was carried out in case of Jatia Group and other related entities at the business premises as also the residential premises of the Directors. The assessee was also covered under the search and seizure operation, which was concluded on 21.04.2018. Be that as it may, pursuant to the search and seizure operation, proceedings u/s. 153A of the Act were

initiated against the assessee. In course of assessment proceedings, in response to queries raised by the Assessing Officer, the assessee furnished, details of loans availed during the year. From the details furnished, the Assessing Officer noticed, the following loan transactions: (i) Asuti Trading Private Limited Rs.7,02,83,116/- (ii) Lloyds Steel Industries Limited Rs.7,59,02,095/-. To verify the genuineness of loan transaction, the Assessing Officer called upon the assessee to furnish documentary evidences to establish the identity and creditworthiness of the lenders as also the genuineness of the transaction.

4. In response to the queries raised by the Assessing Officer, assessee furnished the requisite details and also claimed the loan transactions as genuine. While verifying the seized documents, the Assessing Officer was of the view that the Jatia Group has misused Letter of Credit (LC) facilities of Banks. Hence, the entities from whom the assessee had availed unsecured loans were not carrying on any genuine business activities. He alleged that lender entities are paper/Shell companies created by the promoters of Top Worth/ Lloyds/Uttam Group of companies. In this context, he extensively referred to the statement recorded from one Debasish Pal a Director in M/s. Asuti Trading Private Limited, M/s. S2S Trading Private Limited and M/s. Ballaleshwar Pipes and Tubes Private Limited recorded u/s. 131 of the Act on 24.03.2021. The Assessing Officer observed, in the said statement Shri Debasish Pal had not only stated that he is a dummy Director in the companies but the companies have not indulged in actual purchase and sales transactions as there was no physical good movement. He further referred to statement recorded u/s. 131(1) of the Act

from Shri Raj Kumar Goel, Director and shareholder of M/s Asuti Trading Pvt Ltd. and observed that as stated by the concerned person, M/s. Asuti Trading Private Limited had not carrying out any genuineness business activities. Referring to seized material available before him, the Assessing Officer come to identical conclusion in respect of the other lender M/s. Lloyds Steel Industries Limited. Thus, ultimately, he concluded that the assessee failed to establish the identity and creditworthiness of the creditors and genuineness of loan transactions. Hence, treating the aggregate loan amount of Rs. 14,61,85,211/- as unexplained cash credit u/s. 68 of the Act, he added back to the income of the assessee while completing the assessment u/s. 153A of the Act.

5. Against the assessment order so passed, assessee preferred an appeal before learned First Appellate Authority. During the course of appellate proceeding, assessee again furnished supporting documentary evidences and made detailed submissions to establish the genuineness of the loan transactions. After considering the submissions of the assessee and facts and materials available on record, learned First Appellate Authority found that while deciding identical issue in assessee's case in A.Y. 2017-18, his predecessors has deleted the addition made u/s. 68 of the Act. He further noticed that appeal filed by the Department contesting the deletion of the addition was dismissed by the Tribunal. Thus, he treated the issue in dispute covered by the decisions of his predecessor and the ITAT. Proceeding further, he noted that unsecured loans availed by the assessee were repaid either during the year or in subsequent years and there was no credit balance with the assessee. He further noted

that the entire loan transaction was through banking channels and no cash was introduced to the bank accounts of the lenders prior to advancement of loan. Thus, based on aforesaid analysis of factual position, learned First Appellate Authority deleted the addition made u/s. 68 of the Act.

6. Before us, learned Departmental Representative (DR) strongly relying upon the observations of the AO submitted that the seized materials clearly demonstrated the bogus nature of the circular transactions between different companies within Jaita Group. He submitted, by fraudulently utilizing LC facility of bank, the Jaita Group of Companies indulged in circular transaction without actual purchase and sale of goods. Thus, he submitted, when the entire business activity of the Jaita Group of Companies is bogus in nature, the loan transaction between those companies and the assessee cannot be genuine. He submitted, the First Appellate Authority has merely relied upon the decision of the CIT(A) and Tribunal in assessee's case in AY 2017-18 without independently verifying the facts involved in the present year. Therefore, he submitted, the order of learned First Appellate Authority should be set aside.

7. Per contra, learned counsel appearing for the assessee strongly relied upon the observations of the First Appellate Authority. He submitted, the First Appellate Authority is absolutely correct in relying upon the decision of the Tribunal in assessee's case in AY 2017-18 as there is no difference in the factual position. Drawing our attention to the assessment order, learned counsel submitted, the entire

basis of the addition is the statement recorded from Shri Debasish Pal, which was confined only to the circular transactions within Jatia Group of Companies. He submitted, in the said statement the transaction with the assessee was never referred to. He submitted, the Assessing Officer has committed a fundamental error relying upon the said statement as the assessee being involved in Real Estate business has not indulged in activities of purchase and sales of goods, which is the allegation in the statement recorded. He submitted, in course of proceedings before Assessing Officer and the First Appellate Authority, the assessee has furnished all documentary evidences including confirmations, bank statements of lenders, their Income Tax Return copies, ledger account copies etc. to prove the identity and creditworthiness of the creditors as also the genuineness of the transactions. He submitted, not only in assessee's case in AY 2017-18 similar addition made by the Assessing Officer has been deleted but in case of various other group entities, the Tribunal has decided the issue in favour of the assessees. He submitted, in case of lender companies the very same Assessing Officer has not taken any adverse view with regard to the loan transactions. In this context, he drew our attention to various orders of the Coordinate Benches submitted in case law compilation. Thus, he submitted, the order of learned First Appellate Authority, being a well- reasoned order based on contemporaneous evidence and supported by various decisions of the Tribunal, should be upheld.

8. We have considered rival submissions and perused the materials on record. We have also carefully gone through the judicial precedents cited before us.

Undisputedly, the issue before us is the addition made u/s. 68 of the Act in respect of unsecured loans availed by the assessee from two parties. A careful reading of the assessment order reveals that the addition is purely based on statements recorded from two individuals, namely, Shri Debasish Pal and Shri Raj Kumar Goel alleged to be the Directors of M/s. Asuti Trading Private Limited. The reading of the said statements reveal that the primary allegation is the Jatia Group of companies without carrying out any sale and purchase activities were using LC facility through circular transactions. There is no reference of the assessee in the said statements. The fact that the Jatia Group of companies were using LC facility of bank is borne out on record. Perusal of the bank statements of the lender companies demonstrate availability of sufficient funds for advancement of loan. In course of proceedings before the Departmental Authorities, the assessee had furnished sufficient supporting documentary evidences not only to establish the identity and creditworthiness of the lenders but has also proved the genuineness of transaction. The lenders companies have furnished confirmations accepting the loan transaction. Thus, on the face of such evidences available on record, the allegation of the Assessing Officer that the assessee has failed to discharge its onus u/s. 68 of the Act is unacceptable. While deciding identical issue in assessee's case in AY 2017-18, vide order dated 07.01.1985 in ITA No. 1437/Mum/2024, the coordinate Bench has held as under:-

*“10. We have heard both the parties at length and perused the voluminous documents filed before us and the relevant material referred at the time of hearing. The main case of the Revenue before us*

*is that, all these entities from whom assessee has taken loan were found to be dubious entities without carrying out any actual business. Once they have been admitted to be a shell company, therefore, the entire transaction of loan cannot be treated genuine. Ld. DR further submitted that even if assessee may not be linked directly with these companies but the fact of the matter is that assessee has taken huge loans of several Crores from these dubious entities of Jatia group, Lloyds group and other groups who were covered under the search. Once these group and entities were found to be doing fraudulent practice to de-fraud the bank and did not have any actual business, then how the transaction of giving loan to the assessee can be accepted to be genuine. Thus, the order of the ld. AO should be confirmed.*

*11. On the other hand ld. Counsel for the assessee strongly referred and relied upon the order of the ld. CIT(A) and pointed out that, this case all these companies assessee had shown their creditworthiness from their audited accounts and profit and loss account and their balance sheet reflected that they had huge surplus funds and also have disclosed the loans given to the assessee. Their revenue from operations have been in hundreds of crores and were duly assessed to tax and therefore, it cannot be held that these companies were dubious. He further submitted that none of these parties who have given the statement were either confronted or put to cross examination and merely relying upon the statement wherein there is no reference of the assessee, no adverse inference can be drawn, when assessee had filed all the documents and especially in case of all these lender companies their creditworthiness and sources of funds have been examined under scrutiny by the same Assessing Officer in their regular assessments. Thus, the loans cannot be treated as non-genuine and assessee had discharged the entire onus cast upon it. 12. From the perusal of the records, we find that identity of all the four companies are not in doubt, because Asuti Trading Pvt. Ltd is one of the company forming part of Topworth Group of companies which is a very big group having turnover of several 100 Crores and are assessed to tax under the same Assessing Officer as that of the assessee. Similarly, Duli Trading & Commodities Pvt. Ltd. was forming part of Uttam Value Group, regularly assessed to tax and for these years has been assessed with the same Assessing Officer and they have disclosed the transaction in their financials. In the case of Elecmech Engineering Projects Pvt. Ltd. which is farming part of the Lloyds group, is also a big group and was carrying out huge volume of business which is evident from the profit and loss account Lloyds Steel Industry Ltd., which was also part of Lloyds group was also regularly assessed to the tax with the same Assessing Officer and were having substantial business. Thus, identity*

cannot be doubted. 13. In so far as creditworthiness is concerned, from the perusal of the financial statements / balance sheet of Asuti Trading Pvt. Ltd., it is seen that it had capital reserves and surplus of Rs.27.21 Crores and also had huge funds available in the balance sheet. They have also shown loan given to the assessee in their audited accounts. Similarly, in the case of Duli Trading and Commodities Pvt. Ltd. reserves and surplus were more than Rs.28.31 Crores and also reflected huge funds available in the balance sheet and also duly shown the loan in their balance sheet. Similarly, Elecmech Engineering and Projects Pvt. Ltd. it had shown reserves and surplus of Rs.14.10 Crores and Lloyds Steel Industry had shown more than Rs.25.26 Crores as reserves and surplus and had shown huge operations from revenue. In all these cases it is seen that these companies have filed their bank statements which huge flow of funds. Source of these funds have not been doubted by the AO.

14. To prove the genuineness, assessee had filed a copy of their bank statements wherein the amounts have been transferred through clearing and it is not the case that some unknown clearing has come from where they have given loan to the assessee. It appears that they had huge funds available in the form of credit balance and there has been regular transaction of business from where these parties had given loans to the assessee. Another important fact is that these loans were repaid either in the same assessment year or in the subsequent assessment year and the closing balance was nil. The loan has been repaid back through banking channels in a short span. This fact has already been noted by the ld. CIT (A) in the foregoing paragraphs. Thus genuineness of the transaction also cannot be doubted.

15. One very important fact which has been noted by the ld. CIT (A) is that in the case of all these four entities, same Assessing Officer has passed regular assessment order u/s.143(3) / 153A where this entire issue has been examined in detail and no adverse inference has been drawn by the same Assessing Officer in case of those entities with regard to the source of funds and loan given to the assessee. If ld. AO had any doubt about the source of funds then, he should have examined in the case of these parties. This fact as noted by the ld. CIT(A) as incorporated above has not been rebutted by the department before us. Accordingly, we do not find any infirmity in the order of the ld. CIT (A) and the same is confirmed.

16. The entire allegation of the ld. AO seems to be based on finding that these entities were doing some circular trading and they had defrauded the bank by adopting modus operandi of rotation of funds

*from one entity to another and misusing the LC facility from these banks. Despite making such allegation in the respective assessment orders of these entities, he has applied the profit rate on the sales declared by these entities to assess their income. Nowhere in their cases any deemed income has been assessed or any finding have been given that they are bogus entities not doing business. Once ld. AO has accepted source of these loans in the case of these parties, then how can he made the addition u/s.68 in the hands of the assessee.*

*17. Further, nowhere in the various statements as referred by the ld. AO, there is any whisper about the assessee or any question was asked by the searched parties or the authorised officers that any such person or entity have given any kind of accommodation entry to the assessee or the loan given by these parties were bogus. The entire allegation of the AO based on the statement recorded and finding of the search parties is that these groups were doing either bogus sales or purchases or circular trading to get LC from the bank. There might be movement of funds from one company to other and overdrawing the money from the banks through Letter of Credit without any credentials at the time of Bill Discounting or for any other purpose, but nowhere there is any finding of investigation wing or any material found or statement during the search, that some unaccounted money has been given by the assessee company to accommodate any loan entry or there is any cash trail. Neither there is involvement of any kind of entry operator nor were these companies found to providing accommodation entry of loan by taking some temporary cash. Without such information or material, there cannot be any presumption that these companies had provided bogus entry of loan or the transaction is not genuine. Thus, the finding of the Ld. CIT(A) cannot be tinkered with. Accordingly, the additions made u/s.68 is deleted and the order of the ld. CIT (A) is confirmed and the grounds raised by the Revenue are dismissed.”*

9. Factual position in the present appeal is identical to AY 2017-18. Like AY 2017-18, in the present case also the assessee had furnished all supporting evidences to establish the identity and creditworthiness of the creditors. The genuineness of transaction also stands established as it has been done through banking channels and the bank statements of the lender companies and the assessee were furnished before the Assessing Officer. The bank statement of the lenders demonstrate that prior to

advancing of loan they had sufficient fund available with them. The Assessing Officer has miserably failed to demonstrate that assessee's own money has been routed back through unsecured loans. It is also a fact on record that the loans availed by the assessee have either been repaid within the year or in subsequent years and ultimately the entire loan has been repaid. It is also a fact on record that in case of lender companies though the Assessing Officer was same, however, he has not taken any adverse view regarding loan transaction. To demonstrate the same, assessee has furnished before us copies of assessment orders passed u/s. 153A of the Act in case of Lloyds Steel Industries Limited. A perusal of the orders passed for AY 2017-18 by the learned First Appellate Authority and the coordinate Bench, it is noticed that the transactions with very same lenders from whom the assessee had availed loan in different assessment years have been examined and found to be genuine. We have further noted that in case of other similarly situated companies, the Tribunal has decided the issue in favour of the assessee. In this context, we refer to the following observations of the Coordinate Bench in case of 'DCIT vs. Yardley Investment and Trading Company' ITA No. 4725/Mum/2025 dated 02.01.2026:

*“12. From the perusal of the assessment order, as well as the impugned order passed by the learned CIT(A), it is pertinent to note that entire emphasis of the Revenue, by placing reliance on the documents seized during the course of search action under section 132 of the Act, are on the findings that the entities of Jatia Group were involved in accommodation entry transaction of back-to-back purchase and sales transaction with entities of three groups namely Topworth, Uttam Galva and Lloyds Group of companies and there is no evidence of actual movement of goods from the point of purchase to the point of sale. Further, documents proving the physical movement of goods were not furnished despite multiple opportunities.*

13. As noted in the foregoing paragraphs, the assessee is only engaged in investment and trading of shares and securities, which is sufficiently proved from the financial statement as noted above. Therefore, even if the books of account of the assessee in Tally software were seized during the search, the same only shows that the assessee was into investment and trading of shares and securities, in the absence of any finding by the AO that the said books of account found from the Tally software were parallel books of accounts showing the assessee being involved in some other transaction not recorded in the regular books of accounts. Thus, we are of the considered view that the detailed findings of the AO on the basis of search documents have no relevance to the business of the assessee, as it was not involved in the sale and purchase of any physical goods, and instead it was only engaged in investment and trading of shares and securities. 14. At the same time, it is pertinent to note that since the search and seizure action under section 132 of the Act was carried out on other companies of Jatia, Topworth, Uttam Galva and Lloyds Group of companies, we are of the considered that such findings of accommodation entry transaction of back-to-back purchase and sale of goods without physical delivery through various paper companies may have a relevance in case of other entities, which can be examined vis-à-vis the facts of each case. However, such findings of the AO have no relevance in the instant case, as the assessee is not involved in the sale and purchase of any goods and is only involved in the investment and trading of shares and securities. Therefore, we are of the considered view that the material found during the course of search in the case of the assessee is not in the nature of incriminating material and the impugned addition under section 68 of the Act by treating the loan received from Uttam Value Steels Ltd. as bogus has no relation to the material found during the course of search. Accordingly, in the light of the decision of the Hon'ble Supreme Court in *Abhisar Buildwell Pvt. Ltd.* (supra), in the absence of any incriminating material or information found during the search in relation to the impugned addition in the present case, we uphold the plea of the assessee and the impugned addition challenged before us is directed to be deleted. 15. Since relief has been granted to the assessee on this issue, the other grounds raised in the cross-objection are rendered academic and, therefore, are left open. Accordingly, the cross-objection filed by the assessee is allowed, and the appeal by the Revenue is dismissed.”

10. Though, various other judicial precedents have been cited by learned counsel for the assessee in support of his contention, however, we are not referring to those

decisions to avoid multiplicity. Thus, on overall consideration of facts materials on record as also the decisions of the Coordinate Bench in assessee's case and in case of other group companies, we do not find any infirmity in the decision of learned First Appellate Authority, which is purely fact based and has been arrived at after carefully appreciating the evidences available on record. Accordingly, we dismiss the grounds raised by the Revenue.

11. In view of our decision, the cross objections having become infructuous, are dismissed. So far as other appeals of the Department are concerned, facts are more or less identical except variation on account of lenders. However, all other relevant facts concerning the issue are identical. Therefore, following our decision in AY 2013-14 in foregoing paragraphs, we uphold the order of learned First Appellate Authority by dismissing the Grounds raised by the Department. The cross objections of the assessee having become infructuous are dismissed.

12. In the result, all the appeals of the Revenue and Cross Objections by the assessee are dismissed.

*Order pronounced in the open court on 23/01/2026.*

Sd/-  
(Jagadish)  
Accountant Member

Sd/-  
(Saktijit Dey)  
Vice President

Mumbai; Dated : 23/01/2026

Aks/-

**Copy of the Order forwarded to :**

1. The Appellant
2. The Respondent
3. The CIT(A)
4. CIT - concerned
5. DR, ITAT, Mumbai
6. Guard File

BY ORDER,

(Dy./Asstt. Registrar)  
ITAT, Mumbai