

**IN THE INCOME TAX APPELLATE TRIBUNAL “G” BENCH MUMBAI**

**BEFORE SHRI AMIT SHUKLA, JUDICIAL MEMBER  
AND  
SHRI GIRISH AGRAWAL, ACCOUNTANT MEMBER**

**ITA No. 3656/MUM/2025  
Assessment Year: 2022-23**

Grindwell Norten Limited Leela Business Park, 5 <sup>th</sup> Level Andheri Kurla, J.B. Nagar S.O., Mumbai - 400059  (PAN: AAACG8725B)	Vs.	Deputy Commissioner of Income-tax 1(3) (1), Mumbai
(Appellant)		(Respondent)

Present for:

Assessee : Shri M.M. Golvala, CA  
Revenue : Shri Swapnil Choudhary, Sr. DR

Date of Hearing : 04.11.2025  
Date of Pronouncement : 30.01.2026

**ORDER**

**PER GIRISH AGRAWAL, ACCOUNTANT MEMBER:**

This appeal filed by the assessee is against the order of Additional/ Joint Commissioner of Income Tax (Appeals), Prayagraj, vide order no. ITBA/APL/S/250/2024-25/1075189406(1), dated 28.03.2025, passed against the intimation issued by Deputy Director of Income Tax, Central Processing Centre, Bengaluru (CPC), u/s. 143(1) of the Income-tax Act (hereinafter referred to as the “Act”), dated 29.07.2023 for Assessment Year 2022-23.

2. Grounds taken by assessee are reproduced as under:

- 1. The Centralized Processing Center erred in making an adjustment of Rs.5,23,94, 136 to the Returned Income vide the intimation under section 143(1).*
- 2. The Centralized Processing Center erred in assuming jurisdiction under section 143(1) by ignoring the reply filed by the Appellant.*

3. *Both the lower authorities erred in disallowing the provision for power liability of Rs.5,23,94,136 created by the Appellant based on invoices raised on it.*

4. *Both the lower authorities failed to appreciate that the Appellant had created the provision for power liability of Rs.5,23,94,136 based on invoices raised on it, therefore the said amount was not a contingent liability and was allowable as a deduction while computing the Appellant's taxable income.*

3. The only issue involved in the present appeal is in respect of disallowing the provision for power liability created by the assessee amounting to Rs.5,23,94,136/-, while processing the return of income u/s. 143(1) by CPC.

4. Brief facts of the case are that assessee filed its revised return of income on 29.11.2022, reporting total income at Rs.4,12,57,79,905/-. Subsequently, assessee received a communication of proposed adjustment by CPC u/s. 143(1)(a) against which assessee furnished its response dis-agreeing to the proposed adjustments. CPC accepted the submission of the assessee for dropping the proposed adjustments except in respect of adjustment made by disallowing the claim of power liability reported by the assessee as contingency liability in its tax audit report at clause 21(g). Thus, the return was processed u/s. 143(1) at total income of Rs.4,17,81,74,040/-. Against the said upward adjustment, assessee went in appeal before the ld. CIT(A) who confirmed the same.

5. Assessee has explained the reasons as to how and why the provision for power liability was created and its reporting in its audited financial statements as well as in the computation of total income prepared for filing the return of income. According to the assessee, it has a unit/plant in Renigunta (near Tirupati), Andhra Pradesh which manufactures Silicon Carbide which involves high power consumption. Tirupati unit procures power from Southern Power Distribution

Company of Andhra Pradesh (Transmission Company). The rate per unit of power is on the higher side Rs.5.40 per unit. Another power supply company, A. P. Gas Power Corporation Ltd. (APGPCL) also supplies power to the Tirupati unit. APGPCL generates power through natural gas, it supplies power to the Tirupati unit through power grids of the Transmission Company. Power generated by APGPCL through gas is cheaper at Rs.3.7 per unit. Also, because assessee is a shareholder in APGPCL it is able to procure power at a lower rate. Till November, 2020, Transmission Company also held a stake in APGPCL and it used to give credit to assessee for power charges paid by assessee to APGPCL. Therefore, assessee used to pay lower power charges @ Rs.3.7/unit in respect of power supplied by APGPCL. Invoices of the Transmission Company and APGPCL for the month of October, 2020 are at pages 173 and 174 of the paper book. From December, 2020 (after the Transmission Company sold its stake in APGPCL), Transmission Company refused to give credit for power supplied by APGPCL and insisted that assessee pays power charges @ Rs.5.4/ unit on all units of power, including the power supplied by APGPCL through the Transmission Company. Sample invoices for the months of November, 2021 to March, 2022 are at pages 164 to 168 of the paper book. Assessee continued to pay APGPCL for the power supplied by it. It deducted the amount paid to APGPCL while making payments to the Transmission Company.

5.1. For the months of November, 2021 to March, 2022, assessee made a provision for power charges of Rs.5,24,47,323 being the differential of the invoices raised by the Transmission Company and the amounts paid to the Transmission Company and APGPCL for power charges. The said provision was created by debiting power and fuel expenses with disclosure made in Note 37 - Other Expenses and crediting Other

Provisions with disclosure in Note 26 -Current Liabilities Provisions. For the remaining period, starting from November, 2020 to October, 2021, assessee treated the differential power charges payable as a contingent liability, disclosed in Note 43 Contingent Liabilities. Details of computation of the provision and contingent liability towards power liability is tabulated below:

Month	Invoice of Transmission Company (Rs.)*{A}	Amount paid Trans Co. (Rs.) J(B)	Amount paid APGPCL (Rs.)(C)	Provision for power liability (Rs.)(D) = (A-B-C)
Dec-20	4,79,21,947	30,70,000	1,45,59,074	
Jan-21	4,40,81,753	31,35,495	1,62,92,488	
Feb-21	4,28,08,004	32,64,059	1,34,00,263	
Mar-21	5,03,55,882	30,89,267	1,62,65,702	
Apr-21	5,03,18,928	32,61,680	1,60,05,746	
May-21	4,48,13,099	38,41,593	1,40,52,173	
Jun-21	4,64,92,870	32,92,336	1,48,02,054	
Jul-21	3,61,31,275	47,51,947	1,00,67,706	
Aug-21	2,57,06,021	30,04,744	88,97,606	
Sep-21	2,63,00,403	25,60,061	89,61,558	
Oct-21	1,82,74,249	26,46,042	61,22,556	
Nov-21	2,96,11,154	85,12,588	1,10,34,515	1,00,72,564
Dec-21	3,44,85,287	1,27,66,776	1,07,84,332	1,09,46,946
Jan-22	3,38,18,556	1,28,92,136	1,04,29,831	1,05,09,481
Feb-22	3,25,12,961	1,27,18,713	96,83,929	1,01,23,038
Mar-22	3,49,43,474	1,36,67,728	1,04,80,452	1,07,95,294
Total from Dec 20 to Mar 22	59,90,35,863			
Total for FY 2021-22	41,34,08,277	8,39,16,342	13,13,22,458	5,24,47,323

Amount reported as Contingent Liability in the Annual Report:

Particulars	Amount (Rs.)
Invoices of Transmission Co. from Dec 20 to Mar 22	59,90,35,863
Less : Amount paid Trans Co. from April 21 to Mar 22	8,39,16,342
Less: Amount paid APGPCL from April 21 to Mar 22	13,13,22,458
Less: Provision for power liability created for FY 2021-22	5,24,47,323
Contingent Liability created during FY 2021-2022 for power charges payable to Transmission Company	33,13,49,740

(Rs. Lakhs)

Contingent Liability for power charges payable to Transmission Company as on 31.3.2021	1,337.04
Add: Additions to Contingent Liability	3,313.49
Contingent Liability for power charges payable to Transmission Company as on 31.3.2022	4,650.53

5.2. Tax Auditor erroneously reported the provision of Rs.5,23,94,136 for power liability as a contingent liability, in clause 21(g). To explain its case, assessee appended a suitable note to its Statement of Total Income explaining that the provision had been made on the basis of actual bills, therefore, terming the same as "contingent liability" is erroneous. The said note is extracted below:

*3. During the year, the assessee company has made provision for power liability, which has been reported by the Tax Auditor under Provisions which are contingent in nature and thus are to be disallowed while computing Income. The provision for power liability made by the assessee company is certain in nature and the assessee company has booked invoices against the provision for power liability and made payments in the immediately next year. Since the provision for power liability was ascertained correctly and has been paid in immediately next year, the assessee company has not disallowed the provision for power liability which was reported by Tax Auditor as Contingent Liability*

6. On the above stated facts, assessee has furnished documents as additional evidence for their admission before the Bench, as they go to the root of the issue. The documents so furnished are -

- a. Transmission Company's letter dated 30.12.2022 to assessee agreeing to give credit for 70% of the power charges paid to APGPCL for the period March, 2021 to September, 2022 and requesting assessee to pay a further sum of Rs.15,25,23,228/- towards power charges and interest.
- b. Assessee's letter dated 03.01.2023 to the Transmission Company agreeing to pay Rs.14,82,27,188/-.
- c. Bank advice dated 05.01.2023 evidencing payment made by assessee to the Transmission Company.

6.1. From the perusal of the details tabulated above, given by the assessee while computing the amount of provision and contingent liability for the purpose of reporting in its financial statements, it is noted that provision for power liability made by the assessee is different and separate from the contingent liability for the power charges payable to the Transmission Company. In respect of the provision for power liability so created, assessee claims that it had made the payment for the same as Transmission Company agreed for giving credit for 70% of the power charges paid by it to APGPCL.

6.2. Assessee has furnished the required documents as additional evidence for consideration of the Bench which have been perused by us. Since the return was processed u/s.143(1) and there was no occasion for the assessee to furnish these before the ld. Assessing Officer to explain its case, for which an adjustment was made creating a demand on the assessee.

6.3. In the interest of justice and fair play, we find it appropriate to remit this issue for a limited purpose of verification to the file of ld. Jurisdictional Assessing Officer (JAO), so as to verify the factual records

so furnished vis-à-vis the claim made by the assessee and consider its allowance in accordance of the provisions of the Act. Primarily, assessee claims that it is erroneous reporting by the Tax Auditor in tax audit report in clause 21(g) because of which the CPC has disallowed, was never a contingent liability but a provision created towards power liability made on the basis of actual bills and was subsequently paid through banking channel to the Transmission Company. Thus, in our considered view, it is a case more of verification of the factual records which could never take place at the end of Id. Assessing Officer, since the return was processed by CPC, Bengaluru u/s. 143(1). Needless to say, assessee be given reasonable opportunity of being heard to make any further submission, if so required. Accordingly, grounds raised by the assessee are allowed for statistical purposes.

7. In the result, appeal of the assessee is allowed for statistical purposes.

Order is pronounced in the open court on 30 January, 2026

Sd/-  
(Amit Shukla)  
Judicial Member

Sd/-  
(Girish Agrawal)  
Accountant Member

***Dated: 30 January, 2026***

*MP, Sr.P.S.*

Copy to :

- 1 The Appellant
- 2 The Respondent
- 3 DR, ITAT, Mumbai
- 4 Guard File
- 5 CIT

BY ORDER,

(Dy./Asstt.Registrar)  
ITAT, Mumbai