

**IN THE INCOME TAX APPELLATE TRIBUNAL  
“A” BENCH, AHMEDABAD**

**BEFORE SHRI TR SENTHIL KUMAR, JUDICIAL MEMBER AND  
SHRI NARENDRA PRASAD SINHA, ACCOUNTANT MEMBER**

**ITA No. 572/AHD/2025  
Assessment Years: 2013-14**

Assistant Commissioner of Income Tax, Central Circle – 2(3), Ahmedabad - 380009	Vs.	Dynamatic Developers Private Limited, 702-703, Jeevan Sapna blng No. 5, J P Gardens Off MG Road No. 4, Mumbai, Maharashtra - 400067 <b>[PAN – AAACD7061M]</b>
(Appellant)		(Respondent)
Assessee by	Shri Mitesh Mehta, CA	
Revenue by	Shri Alpesh Parmar, CIT-D.R	
Date of Hearing	29.01.2026	
Date of Pronouncement	05.02.2026	

**ORDER**

**PER NARENDRA PRASAD SINHA, ACCOUNTANT MEMBER:**

This appeal is filed by the Revenue against the order of Commissioner of Income Tax, Appeal – 12, Ahmedabad, [in short “the CIT(A)] dated 02.01.2025 for the Assessment Year (A.Y.) 2013-14 in the proceeding u/s 147 r.w.s. 144B of the Income Tax Act.

2. The brief facts of the case are that the assessee had filed its return of income for A.Y. 2013-14 on 22.09.2014 declaring income of Rs.1,23,66,680/-. The case of the assessee was reopened by issue of

notice u/s 148 on 31.03.2021 on the basis of information that the assessee had manipulated commodity trading done on NSEL by Client Code Modification (CCM). In the course of assessment, the AO had analysed the information received from SFIO and other information as available with him and concluded that the assessee had entered into fictitious commodity transactions by way of CCM. The AO had worked out total fictitious buy of Rs.11,34,20,350/- and total fictitious sale of Rs.10,88,87,175/- which were added to the income. In addition, the profit of Rs.1,00,79,414/- derived in these transactions was treated as STCG and also added to income. The assessment was completed u/s 147 r.w.s. 144B of the Act on 31.03.2022 at total income of Rs. 24,47,53,619/-.

3. Aggrieved with the order of the AO, the assessee had filed an appeal before the first appellate authority, which was decided by the learned CIT(A) vide the impugned order and the appeal of the assessee was allowed.

4. Now the Revenue is in appeal before us. The original grounds taken by the Revenue were modified in the course of hearing. The modified grounds of appeal filed by the Revenue are as under:

1. *Whether on the facts and circumstances of the case and in law, the Ld. CIT(A) has erred in deleting the addition of Rs. 10,88,87,175/- under section 69A of the Act, without appreciating the fact that the AO's finding were based on credible evidence from the Serious Fraud Investigation Office (SFIO) and SEBI which explicitly identified systematic irregularities in NSEL trading scam. The SFIO report revealed that paired contracts on the NSEL platform were structured merely as fixed return schemes, with no physical delivery of commodities taking place.*

2. *Whether on the facts and circumstances of the case and in law, the Ld. CIT(A) has erred in deleting the addition of Rs. 11,34,20,350/- under section 69C of the Act without appreciating the fact that President of Anand Rathi Commodities Ltd. in his statement himself accepted that client code modifications were systematically used to manipulate profits and losses.*
3. *"Whether on the facts and circumstances of the case and in law, the Ld. CIT(A) has erred in deleting the addition of Rs. 1,00,79,414/ made from bogus and sham transaction without appreciating the fact that the entire transactions of Rs. 66 Crores through the broker M/s Anand Rathi Commodities Ltd. was bogus and sham transaction and hence, the profit of Rs. 1,00,79.414/ was treated at short Term Capital Gain.*
4. *Whether on the facts and circumstances of the case and in law, the Ld. CIT(A) has failed to appreciate that Serious Fraud Investigation Office and Security and Exchange Board of India has established that M/s Anand Rathi Commodities Ltd. misused the client code modification feature to generate bogus speculative and non-speculative gains/losses by trading on NSEL platform.*
5. *The Appellant craves, leave to add, alter, amend or modify any or all grounds of appeal on or before the date of hearing."*

5. Shri Alpesh Parmar, the Ld. CIT-DR has taken us through the assessment order. He explained that as per SFIO report certain brokers had mis-utilised the facility of CCM. The assessee had done the trading through the broker M/s. Anand Rathi Commodities Limited (ARCL) in commodities through NSEL. The Department had issued summon to Shri Chetan Pitamber Bharkhada (President of ARCL), who had admitted his involvement in the CCMs. He had further admitted that no physical delivery of goods took place at the time the trades were executed on NSEL. Further, when the trading on NSEL was suspended, ARCL did not fulfil payment obligation against the sale contracts of the trades in respect of which losses were claimed by different clients. The Ld. CIT-DR submitted that SEBI too had acknowledged the involvement of ARCL in

the entire NSEL scam. According to the Ld. CIT-DR, the assessee was involved in the larger racket of the NSEL scam and was a beneficiary of fictitious loss/gain on account of speculative transactions. Accordingly, the AO had worked out fictitious buy and fictitious sale transactions carried out by indulging in CCM and accordingly such fictitious buy and sale amounts were added to income of the assessee. Further, the profit derived by the assessee in such transactions was also separately added. Accordingly, the Ld. CIT-DR strongly supported in the order of the assessing officer.

6. Per contra, Shri Mitesh Mehta, Ld. CA of the assessee submitted that the assessee had disclosed total turn-over of Rs.67,14,19,781/- and the transactions of fictitious buy and fictitious sale as worked out by the AO on account of CCM, was part of trading account of the assessee. Therefore, no separate addition in this regard was called for as these transactions were duly reflected in the trading account of the assessee. He submitted that the profit derived by the assessee on account of CCM transactions was also duly reflected in the trading account of the assessee. According to the Ld. AR, by making separate addition for fictitious buy, fictitious sale and for profit derived in such fictitious transactions; the AO had triplicated the addition for the same income. The Ld. AR submitted that the Ld. CIT(A) had considered the facts of the case in right perspective and correctly allowed relief to the assessee. He further submitted that the transactions in which client code modification were done were duly included in the regular books of accounts and the profit derived thereon was also duly disclosed. Therefore, there was no rational

for making separate additions for fictitious buy, fictitious sale and profit derived on account of CCM transactions.

7. We have considered the rival submissions and carefully gone through the facts and the materials brought on record. The AO had received an information about CCM by ARCL, through whom the assessee company had traded on NSEL. The client code modification in the case of the assessee was to the extent of Rs.11,34,20,350/- on account of fictitious purchase and Rs.10,88,87,175/- on account of fictitious sales. The assessee had also provided a letter from ARCL explaining how and why client code modification was done. It was evident from the information available on record that CCM was not done by the assessee neither it was at the instance of the assessee. The CCM was done by the broker and the purchases and sales effected by CCM were part of purchase and sales as disclosed by the assessee in its trading accounts. The assessee company has dealt in agri-commodities on NSEL platform and total purchase of Rs.66.13 crores and sales of Rs.55.19 crores was disclosed in the trading account, with a closing stock Rs.11.95 crores. It is not the case of the Revenue that the purchase of Rs.11.34 crores and sales of Rs.10.88 crores made by way of CCMs were not part of the trading account or not disclosed by the assessee in its account. Since the fictitious buy and fictitious sale by way of CCMs, as worked out by the AO, was already disclosed in the trading account of the assessee, there was no rational for making separate additions in this respect. The Ld. CIT(A) after examining the facts in great detail had given a categorical finding that the purchase and sale transactions involved in CCMs were duly included in purchases and sales as disclosed by the assessee in its

trading account. Further, the profit earned by the assessee by way of manipulated trading through CCM transactions was also included in the profit as disclosed by the assessee in its P&L account. The finding given by the Ld. CIT(A) in this regard is found to be as under:

DYNAMATIC DEVELOPERS PRIVATE LIMITED

8.4 The assessee company has dealt in Agri-commodities on NSEL platform. The total purchases are amounting to Rs. 66.13 crores and sales to the tune of Rs. 55.19 crores leaving the stock of Rs.11.95 crores and in the process earning a gross profit of Rs.10,079,414/-, which is summarized in the following table:

Particulars	Amount (Rs)
Purchases	66,13,40,367
Sales	55,19,21,696
Closing Stock	11,94,98,085
Gross Profit	1,00,79,414

All the above figures of purchase, sale, closing stock and gross profit are reflected in the Audited Accounts of the assessee company. The AO received the information based on a report of DDIT(Inv.), unit 6 (3), Mumbai about client code modification (CCM) by Anand Rathi Commodities Ltd through whom the assessee company has traded on NSEL. Such client code modification was stated to be Rs.113,420,350/- on account of fictitious purchases and Rs.108,531,175/- on account of fictitious sales. It is mentioned by the appellant that it obtained detailed breakup of CCM transactions from Anand Rathi commodities Ltd. Since all these details were obtained by DDIT, Unit 6(3), Mumbai from Anand Rathi commodities Ltd, they could provide all these details to the assessee company. The assessee had also provided a letter from Anand Rathi commodities Ltd explaining how and why client code modification was done. On going through the letter, it is evident that it was not at the instance of the assessee but it was carried out for operational ease and convenience by the broker. The assessee has also filed confirmation from Anand Rathi Commodities Ltd, confirming all the transactions for the year which also includes purchase and sales which are stated to be part of client code modification and termed as fictitious buy and fictitious sales figures. The workings of sale and purchase are made from the audited books of accounts and broker's statement and transactions of sale and purchase are backed by the supporting documents viz. Contract notes of Commodity Trading (Date wise), Ledger confirmation of Broker, Bank statement highlighting payment and receipts to M/s Anand Rathi Commodities Ltd, etc. The transactions of purchase and sale stated to be part of client code modification vis-à-vis transaction



**DYNAMATIC DEVELOPERS PRIVATE LIMITED**

- (i) Date wise details of purchase and sale of commodities transactions during FY 2012-13
- (ii) Source Chart Showing Different Sources for making payment to M/s Anand Rathi Commodities Ltd
- (iii) Ledger copy of M/s. Anand Rathi Commodities Ltd with ledger confirmation,
- (iv) Bank Statement Highlighting the Payment and Receipts to/From Broker,
- (v) Copy of Bank Statement for FY 2012-13 and
- (vi) Copy of Contract Notes/ Commodity Bills.

8.5 The appellant has furnished above details indicating details date-wise, contract-wise, total purchases including CCM which were submitted before the AO during the assessment proceedings, and again at the appellate stage, as placed in Annexure-I of the Paper Book. However, it is evident from the assessment order that there has been no enquiry conducted by the AO, or there had been no mention in the assessment order of the same to the effect that the assessee company has benefited out of the client code modification, or there has been any cash dealings/involvement of cash transaction with brokers M/s Anand Rathi Commodities Ltd or NSEL in respect to client code modification transactions. There is no mention of assessee company in SFIO report, SEBI report and investigation report relied by the AO leading to any conclusion. Further, the AO has not brought any material on record to show that the appellant company had received back corresponding amount equivalent to the amount of sale and purchase of CCM. In other words, the AO has not put any cogent evidence on record which shows that the appellant has indeed unexplained money or unexplained expenditure as held by the AO in assessment order. Thus, the AO has not made any independent inquiry or given any evidence which states that the CCM transaction in respect of CCM is bogus in nature and not genuine and the appellant has benefited from client code modification.

8.6 Similarly, in respect of alleged fictitious sale, the AO held at para 7 on page 34 of the assessment order that the fictitious sale amounting to Rs.10,88,87,175/- is not reported by the assessee in his books of accounts, therefore the same is unexplained money u/s. 69A. However as per the details filed and as explained, the said sales are duly reported by the assessee in his books of accounts and is included in the total sales.

DYNAMATIC DEVELOPERS PRIVATE LIMITED

AY 2013-14

8.7 The in para 7.1 on page 34 of the assessment order states that the fictitious BUY amounting to Rs.11,34,20,350/- is not reported by the assessee in its books of accounts, therefore the same was to be added under section 69C. However as per the details filed and as explained, the said purchases are duly reported by the assessee in its books of accounts and is included in the total Purchases. It is observed that the appellant has made payments for all its purchases through regular banking channel and each and every transaction of purchase has resulted into profit and the same has been recorded in the books of accounts.

8.8 So far as addition of profit of Rs.10,079,414/- is concerned, the profit and loss account of the assessee company shows a gross profit of Rs.10,079,414/- despite the fact that assessee's returned income is after considering the gross profit on account of trading on NSEL platform, the assessing officer has once again added this amount as short term capital gain treating bogus and sham transactions with Anand Rathi. The appellant's contention holds merit as the profits arising from client code modification transactions are already included in the assessee's books of accounts, resulting in taxable income that has been duly offered for tax in the return of income filed by the assessee company, and therefore, any further addition of such profits would result in double taxation.

8.9 Therefore, there is no scope or reason behind the addition made by the assessing officer amounting to (a) Rs.108,887,175/- u/s 69A as unexplained money and (b) Rs.113,420,350/- u/s 69C (c) Rs.1,00,79,414/- as STCG.

8. The Revenue has been unable to controvert the findings of the Ld. CIT(A). The fact that the transactions of sales and purchases related to CCM arising from trading on NSEL platform was accounted for in the trading account of the assessee has not been disputed. Under the circumstances, no separate addition for sales and purchases related to CCM transactions could have been made. Therefore, the additions on

account of fictitious purchase of Rs.11,34,20,350/- and fictitious sale of Rs.10,88,87,175/- was rightly deleted by the Ld. CIT(A). Similarly, the profit derived by the assessee in CCM transactions was also duly reflected in the gross profit as disclosed in the trading account. Therefore, there was no justification for making separate addition of Rs.1,00,79,414/- on account of STCG derived on CCM transactions. The decision of the Ld. CIT(A) on this issue is also upheld as the transactions on account of client code modifications and profit derived thereon, were duly included in the regular books of accounts and were part of P&L account for the purpose of taxation and no separate addition on account of CCM transaction was called for. Accordingly, the order of the Ld. CIT(A) is upheld and the grounds taken by the Revenue are **dismissed**.

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

**Order pronounced in the Court on 05/02/2026 at Ahmedabad.**

**Sd/-**  
**(TR SENTHIL KUMAR)**  
Judicial Member

**Sd/-**  
**(NARENDRA PRASAD SINHA)**  
Accountant Member

**Dated – 05<sup>th</sup> February, 2026**  
**Neelesh Kumar**

*True Copy*

**आदेश की प्रतिलिपि अग्रेषित / Copy of the Order forwarded to :**

1. अपीलार्थी / The Appellant
2. प्रत्यर्थी / The Respondent.
3. संबंधित आयकर आयुक्त / Concerned CIT
4. आयकर आयुक्त (अपील) / The CIT(A)
5. विभागीय प्रतिनिधि, आयकर अपीलीय अधिकरण / DR, ITAT,
6. गार्ड फाईल / Guard file.

**11**

आदेशानुसार/BY ORDER,

उप/सहायक पंजीकार (Dy./Asstt.Registrar)  
आयकर अपीलीय अधिकरण, अहमदाबाद / ITAT, Ahmedabad