

**IN THE INCOME TAX APPELLATE TRIBUNAL, 'E' BENCH
MUMBAI**

**BEFORE: SHRI AMIT SHUKLA, JUDICIAL MEMBER
&
SHRI GIRISH AGRAWAL, ACCOUNTANT MEMBER**

**ITA No.7973/Mum/2025
(Assessment Year :2009-10)**

Karamtara Engineering Limited 705, Landmark H New Link Road Andheri West Mumbai- 400 053	Vs.	Dy. Commissioner of Income Tax, Central Circle 8(1) Mumbai
PAN/GIR No.AABCK1921E		
(Appellant)	..	(Respondent)

**ITA No.7974/Mum/2025 to 7976/Mum/2025
(Assessment Year :2012-13, 2015-16 & 2016-17)**

Dy. Commissioner of Income Tax, Central Circle 8(1) Mumbai	Vs.	Karamtara Engineering Limited 705, Landmark H New Link Road Andheri West Mumbai- 400 053
PAN/GIR No.AABCK1921E		
(Appellant)	..	(Respondent)

Assessee by	Ms. Simoni Shah
Revenue by	Shri Ritesh Misra, CIT DR
Date of Hearing	12/02/2026
Date of Pronouncement	17/02/2026

आदेश / O R D E R**PER AMIT SHUKLA (J.M):**

These cross appeals have been filed by the assessee as well as by the Revenue against the orders passed by the learned Commissioner of Income Tax (Appeals)-50, Mumbai, being order dated 26/09/2025 and 24/07/2024, arising out of the quantum assessments framed under section 143(3) (and in the case of A.Y. 2009-10, arising in the reassessment/remand framework) for Assessment Years 2009-10, 2012-13, 2015-16 and 2016-17. Since the controversy in all the years emanates from the same common substratum, namely, purchases treated as unverifiable/non-genuine/bogus on the basis of information from Sales Tax Department and the consequential estimation of profit element thereon, and further, as the parties before us have proceeded on the footing that the issue involved is common and covered by the Tribunal's decision in assessee's own case for earlier years, these appeals were heard together and are being disposed of by this consolidated order.

2. In sum and substance, the issue involved in all the years is common and relates to estimation of profit towards purchases alleged to be bogus/unverifiable and the proper rate or extent of such estimation. The assessee, in its

grounds, has challenged the action of the Assessing Officer in treating certain purchases as hawala/bogus merely on the basis of statements/information of Sales Tax Department, Mumbai and in making addition of the entire amount without appreciating the facts and evidences on record; it has been pleaded that the Assessing Officer failed to consider that the assessee had furnished the primary evidences in support of the purchases, and that summons u/s 131 were duly served though the parties did not respond; and without prejudice, even assuming that the purchases are to be treated as non-genuine, the addition ought not to be of the entire purchases but should be restricted to 5% of the alleged purchases, as per the decision of the Tribunal in assessee's own case for earlier years. The Revenue, on the other hand, has challenged in the later years the action of the learned CIT(A) in restricting the addition to 5%, contending that the relief granted is excessive.

3. The record placed before us contains a detailed narration of the historical trail of proceedings, and therefore, it is necessary to set out the chronology as it stands. It is noted that the Assessing Officer had, in an earlier assessment order dated 22-12-2011, made an addition towards purchases amounting to Rs.2,86,93,216/- considering the same as unverifiable purchases and also made an addition of

Rs.58,168/- towards expenditure relating to increase in share capital; the assessee preferred appeal before the learned CIT(A) who vide order dated 20-12-2012 confirmed the additions by applying 4.625% of the alleged purchases amounting to Rs.13,27,980/- and confirmed Rs.58,170/- towards expenditure relating to increase in share capital; against the said additions, the assessee carried the matter in appeal before the Tribunal and the Tribunal vide order dated 29-06-2016 granted additional relief and computed the assessed income at Rs.13,10,37,330/-.

4. Thereafter, for A.Y. 2009-10, the case was reopened and the Assessing Officer vide assessment order dated 17-03-2015 made an addition towards purchases amounting to Rs.1,41,39,166/- considering the same as unverifiable purchases. The assessee preferred appeal, and the learned CIT(A) vide order dated 09-01-2017 restricted the addition to 20% of the alleged purchases amounting to Rs.28,27,833/-. Both the assessee as well as the Department preferred appeals before the Tribunal, and the Tribunal vide order dated 29-09-2017 restored the matter to the file of the Assessing Officer with direction to produce the stock consumption register and other necessary evidences and decide the issue afresh. Pursuant thereto, the assessment proceedings were carried out under section 147 read with

section 254, and the Assessing Officer, vide order dated 28-11-2019, assessed the income at Rs.17,29,99,930/- and once again confirmed the addition at 100% aggregating to Rs.1,41,39,166/- by treating the purchases as unverifiable/non-genuine.

5. In A.Y. 2009-10, the purchases which were treated by the Assessing Officer as unverifiable/non-genuine were stated to have been made from the following parties and for the following amounts:

Sr. No	Name	Amount (Rs)
1	Krish Corporation	11,29,024
2	Manav Impex	32,67,437
3	Pioneer Trading Corporation	36,38,617
4	Arihant Traders	20,03,210
5	Skand Industries	20,46,528
6	Sangura Trading Pvt. Ltd.,	20,54,350
	TOTAL	1,41,39,166

It is also the assessee's factual plea on record that no transactions were carried out with M/s. Manav Impex and this was brought to the notice of the Assessing Officer vide

letters dated 06-02-2015 and 14-11-2019 and reiterated in the fact sheet.

6. The assessee's record states that when called upon to prove the genuineness of the said transactions, it furnished, vide letters dated 06-02-2015 and 14-11-2019, the complete trail of documents ordinarily evidencing purchase transactions, namely: (a) ledger account, (b) all invoices, (c) delivery challans, (d) goods inward note, and (e) bank statements reflecting the payments made to the above parties, and it was stated that the assessee often purchases directly/indirectly through verbal orders in which case there are no purchase orders. It has further been asserted that all payments to the above parties were through account payee cheques/RTGS, supported by bank statements.

7. The case of the Assessing Officer, as emerging from the assessment order and as specifically recorded therein, is that though the assessee had submitted copies of ledger account of the alleged parties and pointed out that the payments were made through cheques, information was received from the Sales Tax Authorities that the assessee had taken entries as bogus purchases from the aforesaid parties; during the course of assessment proceedings, notice u/s 133(6) was issued to these parties, which were returned unserved. The

Assessing Officer further noted that a search & seizure operation was conducted by the Sales Tax Department, Government of Maharashtra, and it was observed that the parties mentioned had not sold any material to anybody but only had issued bogus/non-genuine bills, and that the statements recorded proved this fact. The Assessing Officer thus proceeded on the premise that the purchases were not verifiable and liable to be treated as non-genuine.

8. The Assessing Officer further recorded in the assessment order that the assessee had submitted that copies of stock register and copies of consumption register would be submitted; that summons u/s 131 were issued to the above mentioned entities/individuals for confirmation and submission of records to prove the genuineness of the transactions and they were also asked to appear; that they neither submitted details nor appeared and all summons remained uncomplied; and thereafter, show cause notices dated 20/11/2019 & 21/11/2019 were issued to the assessee to produce the key persons of the entities from which alleged purchases were made and also to furnish copies of stock register and copies of consumption register, fixing compliance on 25/11/2019; and it was then concluded by the Assessing Officer that the assessee failed to comply

with the directions and failed to comply with the direction of the Tribunal.

9. The assessee's explanation on record, in response to the aforesaid approach of the Assessing Officer, is that stock inward register was submitted vide submission dated 06-02-2015; that the goods purchased from the alleged parties were in the nature of fixed assets and were debited to Plant & Machinery in the books and therefore no consumption report was available; that sales were accepted; and that all payments were through banking channels. To demonstrate the commercial congruence between the business of the parties and the nature of items purchased, the assessee had also furnished the following table (as part of the record), which is reproduced herein:

Sr. No	Name of the Party	Business of the party	Nature of Item Purchased	Remarks
1	Krish Corporation	Dealer in all types of Iron & Steel, Hardware, Bearing, Safety & Welding Equipment & All Type of Machinery & Electrical Item.	Inlay Dinning Table, UPVC Casement Window, Stanley Sofas, Lead, etc.	Assessee has purchased Inlay Dinning Table, UPVC Casement Window, Stanley Sofas, Lead, etc.

2	Manav Impex	NA	NA	NA
3	Pioneer Trading Corporation	Dealer in all types of Iron & Steel, Hardware, Bearing, Safety & Welding Equipment & All Type of Machinery & Electrical Item	Mat Polish, Malament polish, Copper Wire, Core Copper Cable, etc.	Assessee has purchased Mat Polish, Malament polish, Copper Wire, Core Copper Cable, etc.
4.	Arihant Traders	Dealer in all types of Iron & Steel, Hardwarejools, Ball Bearing, Electrical & General Suppliers	M.S. Angels, H.T.Angle.	Assessee has purchased M.S.Angels, H.T.Angle, etc.
5.	Skand Industries	Dealer in all types of Iron & Steel, Hardware, Bearing, Safety & Welding Equipment & All Type of Machinery & Electrical Item.	M.S.Angels	Assessee has purchased M.S. Angels.
6.	Sangura Trading Pvt.Ltd.	Dealer in all types of Iron & Steel, Hardware,Tools, Ball Bearing, Electrical &	M.S.Angels	Assessee has purchased M.S. Angels.

		General Suppliers		
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10. The assessee has also placed on record the broader financial context and the proportion argument, namely, that during the year it made total purchases of Rs.1,43,30,45,336/- and declared gross profit of 14.20%; that the purchases treated as non-genuine included raw material and also fixed assets; that total additions to Plant & Machinery and Furniture & Fixtures were Rs.4,27,10,833/-; and accordingly the total purchases were tabulated as under:

Sr. No.	Particulars	Amount (Rs)
1.	Purchases of Raw Materials, Packing Materials & Stores and spares	1,43,30,45,336/-
2.	Plant & Machinery	3,03,61,147/-
3.	Furniture & Fixtures	1,23,49,686/-
	TOTAL	1,47,57,56,169/-

It was urged that the alleged non-genuine purchases of Rs.1,41,39,166/- were only 0.96% of the total purchases and therefore, when large purchases were otherwise treated as

genuine, there was no reason to infer that such meagre proportion constituted bogus purchases.

11. The fact sheet for A.Y. 2009-10 placed on record states that the assessment was originally completed under section 143(3) read with section 147 vide order dated 17.03.2015 with addition of Rs.1,41,39,166/- on account of alleged non-genuine purchases; the CIT(A) vide order dated 09.01.2017 restricted addition to 20%; both sides appealed and the Tribunal vide order dated 29.09.2017 restored the matter with direction to produce stock consumption register and other evidences; pursuant thereto, assessment under section 147 read with section 254 was framed vide order dated 28.11.2019 again confirming 100% addition; it further records that no transactions were carried out with Manav Impex and this was brought to AO's notice; it records that the learned CIT(A) confirmed the addition primarily on alleged non-submission of stock consumption register though, according to the assessee, such register was duly submitted before the CIT(A); it also records the plea that the amount of alleged bogus purchases added while computing book profit u/s 115JB ought to be deleted; and finally it prays that in light of the Tribunal's order in assessee's own case where addition has been restricted to 5% of purchases, the same relief should be granted in the present case after reducing

purchases from Manav Impex of Rs.32,67,437/- since no transaction was entered into.

12. So far as A.Ys. 2012-13, 2015-16 and 2016-17 are concerned, the fact sheet placed on record states that the learned CIT(A), vide order dated 24.07.2024, adjudicated the issue relating to addition on account of alleged bogus purchases and was pleased to restrict the addition to 5% of the purchases treated as non-genuine by the Assessing Officer; the year-wise details recorded are:

A.Y.	Amount of purchases	Addition restricted by CIT(A) (5%)
2012-13	97,02,966	4,85,148
2015-16	2,35,291	11,765
2016-17	8,86,946	44,347

The Revenue, aggrieved by the relief granted by the learned CIT(A), preferred appeals on 27.11.2025 challenging the restriction to 5%. It is also specifically recorded that in assessee's own case for A.Y. 2011-12 involving identical facts and similar additions on account of alleged bogus purchases, the Tribunal vide order dated 18.03.2025 upheld and accepted the relief granted by the learned CIT(A) and confirmed the restriction of addition to 5% and therefore the

issue involved in the present departmental appeals is squarely covered.

13. We have carefully considered the entire material on record and the rival submissions. The controversy herein is not one where the business activity itself is doubted or sales are rejected; rather, it is an allegation that certain suppliers were accommodation entry providers and therefore purchases from such parties cannot be accepted as genuine to the full extent. The Assessing Officer's case, as noted above, is founded upon the information of Sales Tax Department and non-service/non-compliance of statutory notices/summons. The assessee, on the other hand, has furnished the primary evidences ordinarily maintained in the course of business—ledger accounts, invoices, delivery challans, goods inward notes, and crucially, the banking trail reflecting payments through account payee cheques/RTGS. The assessment order itself records that payments were through cheques, and therefore, it is not a case where the transaction trail is wholly absent. Further, the Assessing Officer has not rejected the books of account u/s 145(3) and has not disturbed the sales. Once sales are accepted, it is neither commercially realistic nor legally tenable, in the absence of cogent material demonstrating that no goods were received at all, to disallow the entire purchases, because the existence of sales and/or

the capitalization of fixed assets in the books necessarily presupposes that goods have indeed been procured, though the exact source and pricing may be a matter of inference.

14. At the same time, one cannot be oblivious to the factual backdrop recorded by the Assessing Officer, namely, that notices u/s 133(6) returned unserved, summons u/s 131 were not complied with, and that the Sales Tax Department material indicated that such parties were issuing non-genuine bills. In such circumstances, the law as consistently applied by the Tribunal is that where purchases are not fully verifiable but sales are accepted and business results are otherwise not rejected, the addition ought to be restricted to the profit element embedded in such purchases, representing possible savings/benefit accruing to the assessee by procuring goods from the grey market at a lower price and regularising the transaction through bills. It is precisely for this reason that estimation of a reasonable percentage has been upheld as an appropriate measure, instead of sustaining 100% disallowance of the purchases.

15. In the present group of appeals, the matter is further fortified by the principle of consistency and judicial discipline, because the record placed before us specifically states that in assessee's own case for earlier years, the Tribunal has applied

and upheld estimation at 5% on alleged bogus purchases, and in particular, in A.Y. 2011-12, the Tribunal vide order dated 18.03.2025 upheld the learned CIT(A)'s restriction of addition to 5% on identical facts. Once such is the position, and no distinguishing feature has been brought on record by the Revenue to warrant departure, it would be wholly impermissible to take a divergent view for the years under consideration. Thus, for A.Ys. 2012-13, 2015-16 and 2016-17, where the learned CIT(A) has already restricted the addition to 5% of the alleged purchases, the Revenue's challenge cannot be accepted, and the restriction so made deserves to be upheld.

16. Coming specifically to A.Y. 2009-10, the record shows that after the Tribunal restored the matter to the file of the Assessing Officer with a direction to produce stock consumption register and other evidences, the Assessing Officer again made 100% addition of Rs.1,41,39,166/-. The assessee's case, as emerging from the record, is that it had furnished stock inward register and that consumption register was not applicable because the items purchased were in the nature of fixed assets debited to Plant & Machinery; it had filed the complete trail of evidences, including banking payments; and it had also raised a specific factual plea that no transactions were carried out with Manav Impex and that

this was brought to the Assessing Officer's notice by contemporaneous correspondence. Since this is a matter requiring verification from the contemporaneous record, we direct the Assessing Officer to verify the assessee's claim and, if found correct that no purchases were entered into with Manav Impex, the alleged purchase figure shall be reduced to that extent before applying the estimated rate. Thereafter, following the consistent view taken by the Tribunal in assessee's own case and adopting the very same yardstick, we hold that the addition in A.Y. 2009-10 should be restricted to 5% of the alleged purchases (as finally determined after such verification), representing the profit element embedded therein, and not the entire purchase amount.

17. In view of the foregoing discussion, and respectfully following the binding precedent in assessee's own case on identical facts, we direct that for A.Y. 2009-10, the addition on account of alleged bogus/unverifiable purchases shall stand restricted to 5% of such purchases, subject to verification and appropriate reduction, if any, on account of the assessee's claim regarding Manav Impex; and for A.Ys. 2012-13, 2015-16 and 2016-17, the order of the learned CIT(A) restricting the addition to 5% is upheld and the departmental appeals stand dismissed.

18. In the result, the assessee's appeal for A.Y. 2009-10 is allowed partly in the terms indicated above and the Revenue's appeals for A.Ys. 2012-13, 2015-16 and 2016-17 are dismissed.

Order pronounced on 17th February, 2026.

Sd/-

**(GIRISH AGRAWAL)
ACCOUNTANT MEMBER**

Mumbai; Dated 17/02/2026
KARUNA, *sr.ps*

Sd/-

**(AMIT SHUKLA)
JUDICIAL MEMBER**

Copy of the Order forwarded to :

1. The Appellant
2. The Respondent.
3. CIT
4. DR, ITAT, Mumbai
5. Guard file.

//True Copy//

BY ORDER,

(Asstt. Registrar)
ITAT, Mumbai