

**IN THE INCOME TAX APPELLATE TRIBUNAL  
"C" BENCH, MUMBAI  
BEFORE SHRI NARENDER KUMAR CHOUDHRY, JUDICIAL MEMBER**

**AND**

**SHRI JAGADISH, ACCOUNTANT MEMBER**

**ITA No. 4711/Mum/2025  
Assessment Year: 2018-19**

**&**

**ITA No. 4781/Mum/2025  
Assessment Year: 2019-20**

**&**

**ITA No. 4782/Mum/2025  
Assessment Year: 2020-21**

**&**

**ITA No. 4783/Mum/2025  
Assessment Year: 2021-22**

**&**

**ITA No. 4784/Mum/2025  
Assessment Year: 2022-23**

**&**

**ITA No. 4785/Mum/2025  
Assessment Year: 2023-24**

<b>ACIT-Central Circle- 3.1</b>  Room No.402, 4 <sup>th</sup> Floor, Kautilya Bhawan, C-41 to C-43, G Block, BKC, Mumbai-400051	Vs.	<b>I Ahmed &amp; Co. (Cold Storage &amp; Exports) Pvt. Ltd</b>  35/36, Mafco A.P.M.C, Sector-18 Vashi, Navi Mumbai-400705  PAN: AAACI2563B
(Appellant)		(Respondent)

Assessee by	Shri Dalpat Shah, CA
Department by	Shri Virabhadra Mahajan, SR. DR

Date of Hearing	08.01.2026
Date of Pronouncement	18.02.2026

## **ORDER**

### **Per Bench:**

1. These six appeals filed by the Revenue arise out of orders passed u/s 250 of the Income Tax Act, 1961 by the Ld. CIT(A) for A.Ys. 2018-19 to 2023-24. Since common issues are involved and the assessee is the same, these appeals were heard together and are disposed of by this consolidated order for the sake of convenience.
2. The assessee is engaged in the business of production, processing and export of frozen buffalo meat. A survey u/s 133A was conducted at its premises on 15.12.2022. During the course of survey, books of account and purchase ledgers were examined and purchases from M/s S.A. Enterprises were questioned. The Assessing Officer noted that during post-survey enquiries, the partner of M/s S.A. Enterprises, namely Shri Salim Patel, had allegedly stated that no livestock or meat had been supplied to the assessee. Based on such material and enquiries, proceedings u/s 148A were initiated and assessments were reopened u/s 147. Ultimately, the AO treated the purchases as not fully verifiable and made an ad hoc addition of 12.5% of such purchases in each year.

### **ITA 4711-MUM-2025 for AY 2018-19**

3. Ground No.1 of appeal is against disallowance of purchases made from M/s. S.A. Enterprises of Rs.3,49,16,287/-.
4. The Assessing Officer has made disallowances of 12.5% of purchase made M/s SA Enterprises u/s 37(1) of the Act by treating it as non genuine. The Ld. CIT(A) has deleted the addition relying on his order for A.Y 2017-18.
5. Before us, the Ld. DR strongly relied upon the assessment order. It was submitted that this is a survey case where incriminating material was found

and the supplier had denied the transaction. It was argued that the assessee failed to produce complete transportation receipts to substantiate actual movement of livestock. The Ld. DR drew our attention to one of the purchase invoices (page 17 of the paper book) and submitted that the number of buffaloes was not mentioned in the invoice and therefore the bills appear to have been prepared by the assessee itself. It was contended that absence of transportation documents and absence of quantity details in the invoice creates serious doubt regarding genuineness of purchases. It was further submitted that the Ld. CIT(A) erred in mechanically following his order for A.Y. 2017-18 without independently appreciating the facts of the case and ignoring the findings in survey action at the spot.

6. Per contra, the Ld. AR submitted that the Ld. CIT(A) deleted the addition in A.Y. 2017-18 on identical facts and the Department has not preferred appeal against that order; therefore, on principle of consistency, the addition in subsequent years ought not to be sustained. It was further submitted that as per standard operating procedure (SOP) prevailing in the livestock trade industry, farmers bring their livestock to the market yard at their own cost and no separate transportation bills are generally generated. It was argued that therefore absence of transport receipts cannot be treated as evidence of bogus purchases. The Ld. AR further submitted that livestock procured by the assessee is certified by veterinary doctors and relevant certificates were placed on record. It was also pointed out that affidavit of Shri Salim Patel, partner of S.A. Enterprises, was filed before the lower authorities affirming that transactions with the assessee were genuine and that earlier statement was either misunderstood or incorrectly recorded.
7. It was further argued that export sales have not been doubted; foreign exchange realization is monitored by RBI and banking channels; therefore, without actual purchase of livestock, export of processed meat would not

be possible. It was submitted that when sales are accepted and quantitative records are maintained, entire purchase cannot be disallowed and even estimation must be reasonable and based on facts.

8. We have carefully considered rival submissions and perused material on record. It is undisputed that the issue arose from survey proceedings u/s 133A. The AO relied upon statement of the supplier and alleged deficiencies in documentation such as absence of transport receipts and absence of number of buffaloes in one of the invoices. However, it is equally undisputed that the assessee is engaged in export of meat products and the export turnover has not been doubted. Realization of export proceeds through banking channels is also not disputed. No discrepancy in quantitative tally or stock was pointed out. Books of account have not been rejected u/s 145. As regards absence of transportation receipts, the explanation of the assessee is that farmers bring livestock to market yard at their own cost and hence no separate transport bills are generated. This explanation cannot be outrightly rejected. Regarding the invoice not mentioning number of buffaloes, it is to be noted that livestock purchases are often recorded on weight basis after slaughter and processing. Merely because a particular invoice does not mention number of animals does not automatically establish that the bill was self-prepared, especially when payment is made through banking channel and supported by ledger entries.
9. At the same time, the fact that this case emanates from survey proceedings and initial statement of supplier cast doubt on transactions cannot be completely ignored. The primary evidence required to establish movement of goods, namely transport records, delivery documents or gate entry details, has not been produced. Considering the nature of goods involved, namely live animals, some evidence regarding transportation and movement was expected in the normal course of business. The explanation

that farmers themselves brought livestock, in absence of any supporting material, remains a bald assertion. Though affidavit of Shri Salim Patel has been filed affirming genuineness, the surrounding circumstances justify some degree of estimation to cover possible inflation of purchase price or accommodation element, if any.

10. In the present case, the AO has estimated 12.5% without any comparative GP analysis or industry data. Such flat rate appears arbitrary. At the same time, complete deletion by the Ld. CIT(A) may not be justified in view of survey findings and deficiencies pointed out.
11. Considering the totality of facts, including acceptance of sales, monitoring of export receipts by RBI, acceptance of purchases from 43 other suppliers, veterinary certification of livestock, and affidavit of the supplier, and also keeping in view the doubts arising from survey and documentation gaps, we are of the view that ends of justice would be met if the addition is restricted to 4% of the purchases from M/s S.A. Enterprises. Such estimation would reasonably account for possible profit element or inflation, without disturbing genuine business activity.
12. Accordingly, the orders of the Ld. CIT(A) is modified and the AO is directed to restrict the disallowance to 4% of the impugned purchases. The AO shall recompute the total income accordingly. The ground is partly allowed.
13. Accordingly, this appeal is partly allowed.

**ITA No.4781/Mum/2025 for AY 2019-20**

14. Ground No.1 relating to purchases from M/s S.A. Enterprises is identical to A.Y. 2018-19. Following our detailed findings above, disallowance is restricted to 4% of such purchases for this year also. This ground is partly allowed.

15. Ground No.2 relates to deletion of addition of Rs.61,28,000/- made by the Assessing Officer u/s 69C of the Act in respect of transport charges paid to M/s V Transport amounting to Rs.36,44,000/- and clearing and forwarding charges paid to M/s P. James amounting to Rs.24,84,000/-.
16. The Assessing Officer treated the said expenditure as unexplained mainly on the ground that the concerned parties were non-filers of return of income, that notice issued u/s 133(6) was not complied with, and that no formal contractual agreement or independent documentary evidence of services was produced. Reliance was also placed on the statement recorded during survey of Shri Avinash Kumar Prabhakar Ahaley, proprietor/partner of the said concerns.
17. The Ld. DR reiterated the reasoning given in the assessment order and submitted that the assessee failed to substantiate that the services were actually rendered. It was argued that absence of written contract, non-response to notice u/s 133(6) and non-filing of return by recipient entities cast serious doubt on genuineness of expenditure and therefore the Assessing Officer was justified in invoking Section 69C and taxing the same under Section 115BBE.
18. Per contra, the Ld.AR submitted that the expenditure was duly recorded in the books of account, payments were made through banking channels, TDS was deducted and deposited with the Government, invoices and ledger confirmations were furnished and affidavits from the service providers confirming rendering of services were placed on record. It was contended that Section 69C is applicable only where source of expenditure is not explained and cannot be invoked in a case where expenditure is duly recorded in books and source of payment is fully explained.
19. We have considered the rival submissions and perused the material available on record. The addition has been made under Section 69C. A plain reading of Section 69C makes it clear that the provision can be

invoked only where the assessee has incurred expenditure and offers no explanation about the source of such expenditure or the explanation offered is not satisfactory. In the present case, there is no dispute that the expenditure is recorded in the regular books of account of the assessee. The payments have been made through account payee cheques and reflected in bank statements. TDS has been deducted and deposited. The source of payment is not in dispute. The Assessing Officer has not alleged that the assessee utilised any unexplained cash or undisclosed funds for making the said payments. The basis of addition is essentially doubt regarding genuineness of services rendered. In our considered view, Section 69C does not empower the Assessing Officer to disallow expenditure merely because he entertains doubt about the adequacy of evidence regarding services, when the source of expenditure itself is fully explained and recorded.

20. As regards statement of Shri Ahaley, we find that there is no categorical denial of having rendered services. The statement merely indicates absence of formal written agreement and some confusion regarding the section under which TDS was deducted. In commercial practice, particularly in transport and clearing operations, services are often rendered on the basis of long-standing business understanding without formal contracts. Absence of written agreement, by itself, cannot render the expenditure bogus.
21. Further, non-filing of return of income by the recipient cannot be a ground to disallow expenditure in the hands of the payer. The assessee's obligation is limited to establishing identity of the party, genuineness of transaction and payment through banking channel. Once these primary evidences are furnished, the assessee cannot be burdened with ensuring tax compliance of the service provider. Similarly, non-response to notice u/s 133(6) by third party cannot automatically lead to adverse inference

against the assessee when documentary evidences are already on record. The assessee is engaged in export of frozen buffalo meat. Transportation of goods to port and clearing and forwarding services are integral to export business. The export turnover has not been doubted. It would be unrealistic to presume that export activities could be carried out without availing such services. In absence of any material brought on record by the Assessing Officer to show that no services were rendered or that money was returned to the assessee in cash, the addition made u/s 69C cannot be sustained.

22. In view of the above discussion, we find no infirmity in the order of the Ld. CIT(A) deleting the addition of Rs.61,28,000/-. Accordingly, Ground No.2 of the Revenue for A.Y. 2019-20 is dismissed.
23. Accordingly, this appeal is partly allowed.

#### **ITA No.4782/Mum/2025 for AY 2020-21**

24. Ground No.1 relating to purchases from M/s S.A. Enterprises is identical to A.Y. 2018-19. Following our detailed findings above, disallowance is restricted to 4% of such purchases for this year also. Accordingly, this ground is partly allowed.
25. Ground No.2 relating to transport charges paid to M/s V Transport and clearing and forwarding charges paid to M/s P. James is identical to A.Y. 2019-20. Following our detailed findings above, we find no infirmity in the order of the Ld. CIT(A) deleting the addition. Accordingly, this ground is dismissed.
26. Ground No.3 is regarding addition u/s 69C of cash transfer from H.O. to Vizag Branch. The Assessing Officer has made addition u/s 69C treating cash transfer from Head Office to Vizag Branch as unexplained expenditure

on the ground that no satisfactory explanation was furnished. The Ld. CIT(A) has deleted the addition.

27. The Ld. DR submitted before us that there was discrepancy in the cash book of Vizag branch. It was contended that there was no opening balance as on 01.11.2019 in the Vizag branch cash book and there were no corresponding entries of any expenses. According to the Revenue, the assessee had incurred unexplained expenditure which was later camouflaged as cash transfer from Head Office to branch. It was argued that absence of proper cash trail and opening balance indicates manipulation and therefore matter deserves restoration to the Assessing Officer.
28. On the other hand, the Ld. AR submitted that the Assessing Officer has not rejected the books of account u/s 145. The cash transfer was duly recorded in Head Office books and reflected correspondingly in branch books. It was submitted that inter-branch transfer is merely internal fund movement and does not constitute expenditure. The assessee has not claimed such transfer as expense in Profit & Loss Account and therefore provisions of Section 69C do not apply.
29. We have carefully considered rival submissions. Section 69C applies where an assessee has incurred expenditure and fails to explain the source thereof. In the present case, the addition is based on inter-branch cash transfer. There is no finding that the assessee claimed such transfer as expenditure. The Assessing Officer has not rejected books of account nor has he established that any specific expenditure was incurred outside books. The alleged discrepancy regarding opening balance in branch cash book, even if assumed, would at best require reconciliation, but cannot automatically convert internal transfer into unexplained expenditure unless there is concrete evidence of actual unrecorded spending. The Hon'ble Courts have consistently held that addition u/s 69C cannot be made merely

on suspicion or accounting mismatch without proving incurrance of unexplained expenditure. In absence of rejection of books and in absence of material to establish that expenditure was incurred and source unexplained, we find no infirmity in the order of Ld. CIT(A) deleting the addition. Accordingly, Ground No.3 for A.Y. 2020-21 is dismissed.

30. Accordingly, this appeal is partly allowed.

**ITA No.4783/Mum/2025 for AY 2021-22**

31. Ground No.1 relating to purchases from M/s S.A. Enterprises is identical to A.Y. 2018-19. Following our detailed findings above, disallowance is restricted to 4% of such purchases for this year also. Accordingly, this ground is partly allowed.

32. Ground No.2 relating to transport charges paid to M/s V Transport and clearing and forwarding charges paid to M/s P. James is identical to A.Y. 2019-20. Following our detailed findings above, we find no infirmity in the order of the Ld. CIT(A) deleting the addition. Accordingly, this ground is dismissed.

33. Ground No.3 relating to addition u/s 69C of cash transfer from H.O. to Vizag Branch is identical to A.Y. 2020-21. Following our detailed findings above, we find no infirmity in the order of Ld. CIT(A) deleting the addition. Accordingly, this ground is dismissed.

34. Accordingly, this appeal is partly allowed.

**ITA No.4784/Mum/2025 for AY 2022-23**

35. Ground No.1 relating to purchases from M/s S.A. Enterprises is identical to A.Y. 2018-19. Following our detailed findings above, disallowance is restricted to 4% of such purchases for this year also. Accordingly, this ground is partly allowed.

36. Ground No.2 relates to deletion of addition made u/s 69C in respect of purchases from Qureshi Frozen Foods amounting to Rs.1,69,98,960/- and commission of Rs.33,95,410/- paid in connection with such purchases.
37. The Assessing Officer doubted the genuineness of the purchases on the ground that there were no transportation details, that both the assessee and Qureshi Frozen Foods were using the same facility at Al-Riyan, Malegaon, and that purchase quantities were not properly matched with sales to Minar Industries. It was further observed that since the items dealt with are perishable, there ought to have been either immediate transport or proper storage records, which according to the Assessing Officer were not satisfactorily produced. The Ld. CIT(A) deleted the addition.
38. The Ld. DR submitted that the purchase and sale pattern does not correlate and that perishable goods require proper storage or immediate dispatch, which has not been demonstrated. It was argued that the matter should be restored to the file of the Assessing Officer for fresh verification of stock movement and quantitative reconciliation.
39. The Ld.AR submitted that the assessee and Qureshi Frozen Foods were using the same slaughter and processing facility at Al-Riyan, Malegaon. Therefore, question of separate transportation between the two parties does not arise. It was further submitted that invoices, ledger accounts, bank statements evidencing payment and corresponding sales records were furnished. The books of account were not rejected and no defect in quantitative tally was pointed out by the Assessing Officer.
40. We have considered the rival contentions. The addition has again been made u/s 69C. The essential requirement for invoking Section 69C is that expenditure has been incurred and the source thereof is not explained. In the present case, the purchases are duly recorded in the books of account. Payments have been made through banking channels. There is no allegation that the source of payment is unexplained. The addition is based

on suspicion regarding genuineness of purchases and mismatch in quantities. The Assessing Officer has not rejected the books of account under Section 145 nor has he demonstrated any specific defect in the quantitative records maintained by the assessee. It is not the case of the Revenue that the assessee has shown inflated purchases without corresponding sales or that the stock position is impossible. Mere doubt regarding perishability and storage, without any adverse finding in stock register or production records, cannot justify addition u/s 69C. Further, the explanation of the assessee that both parties were operating from the same facility provides reasonable commercial explanation as to why separate transportation records may not exist. In a manufacturing and processing environment where slaughtering and processing take place at common premises, physical movement may be minimal or internal. Unless the Assessing Officer demonstrates that the explanation is false or contrary to evidence, addition cannot be sustained merely on conjecture.

41. Accordingly, we find no infirmity in the order of the Ld. CIT(A) deleting the addition in respect of purchases from Qureshi Frozen Foods and related commission expenditure. The Ground No.2 raised by the Revenue for A.Y. 2022-23 is dismissed.
42. Ground No.3 relating to transport charges paid to M/s V Transport and clearing and forwarding charges paid to M/s P. James is identical to A.Y. 2019-20. Following our detailed findings above, we find no infirmity in the order of the Ld. CIT(A) deleting the addition. Accordingly, this ground is dismissed.
43. Ground No.4 relating to addition u/s 69C of cash transfer from H.O. to Vizag Branch is identical to A.Y. 2020-21. Following our detailed findings above, we find no infirmity in the order of Ld. CIT(A) deleting the addition. Accordingly, this ground is dismissed.
44. Accordingly, this appeal is partly allowed.

**ITA No.4785/Mum/2025 for AY 2023-24**

45. Both the grounds are identical to earlier years. Therefore, our findings in A.Y 2018-19 and A.Y. 2019-20 are applicable to this year mutatis mutandis. Accordingly, this appeal is partly allowed.

In the result, all six appeals filed by the Revenue are **partly allowed** in respect of purchases from M/s S.A. Enterprises to the extent indicated above and dismissed on other grounds.

*Order pronounced in the open court on 18/02/2026*

**Sd/-**

**Sd/-**

**(NARENDER KUMAR CHOUDHRY)**  
**Judicial Member**

**(JAGADISH)**  
**Accountant Member**

Mumbai, Dated: 18/02/2026

*Ashwani Rao*  
*Sr. Private Secretary*

**Copy of the order forwarded to:**

1. Appellant
2. Respondent
3. The CIT
4. The CIT (Appeals)
5. The DR, I.T.A.T.

By order

(Assistant Registrar)  
ITAT, Mumbai