

**आयकर अपीलीय अधिकरण, हैदराबाद पीठ**  
**IN THE INCOME TAX APPELLATE TRIBUNAL**  
**Hyderabad 'A' Bench, Hyderabad**

**Before Shri Manjunatha G., Accountant Member**  
**and**  
**Shri Ravish Sood, Judicial Member**

आ.अपी.सं /**ITA No.1518/Hyd/2025**  
(निर्धारण वर्ष/Assessment Year: 2016-17)

Seven Energies Odisha Limited, Hyderabad. PAN: AATCS5759E	Vs.	ACIT, Circle-3(1), Hyderabad.
(Appellant)		(Respondent)
निर्धारिती द्वारा/Assessee by:	Shri Sashank Dundu, Advocate	
राजस्व द्वारा/Revenue by:	Ms. Aditi Goyal, Sr.AR	
सुनवाई की तारीख/Date of Hearing:	05/02/2026	
घोषणा की तारीख/Date of Pronouncement:	20/02/2026	

**आदेश / ORDER**

**PER. RAVISH SOOD, J.M:**

The present appeal filed by the assessee company is directed against the order passed by the Commissioner of Income Tax (Appeals), National Faceless Appeal Centre, Delhi, dated 07/02/2025, which in turn arises from the order passed by the Assessing Officer (for short, "AO") under section 143(3) of the Income Tax Act, 1961 (for short, "the Act"), dated 18/12/2018 for the Assessment Year (AY) 2016-17. The assessee

company has assailed the impugned order of the CIT(A) on the following grounds of appeal:

1. "The learned CIT(Appeals)/NFAC erred in disregarding material submissions, bank statements, audited financials, and documentary evidence filed during the assessment proceeding. which elucidate the commercial expediency and business context (works contract activity with temporary working capital investments).
2. The learned CIT (Appeals)/NFAC ought to have appreciated that the Appellant is engaged in "works contracts," and the investments in Mutual Funds were made from advances received from customers and idle funds after meeting necessary 2 expenditures, through banking channels, with the intention of redeeming them as per business requirements and the dividend income earned along with the closing balance of investments were duly disclosed in the audited financial statements and the Return of Income.
3. The learned CIT (Appeals)/NFAC failed to give due weight to the audited financial statements of the Appellant, which clearly 3 reflected the investments and their disclosure, and erred in concluding that the Appellant lacked the financial capacity OR that the source was unexplained.
4. The learned CIT (Appeals)/NFAC erred in upholding the assessment order which suffers from a material procedural defect, namely, the failure of the Assessing Officer to clearly mention the specific section(s) of the Income Tax Act, 1961, 4 under which the additions/disallowances were made and the omission has led to ambiguity and a lack of clarity regarding the exact legal provision invoked, thereby hindering the Appellant's ability to effectively present its case and appeal against the adverse findings.
5. The learned CIT (Appeals)/NFAC has erred in upholding the addition made on account of unexplained investment by allegedly referring to provisions of Section. 69 of the Act without establishing that the investments were not recorded in the books of account and on the contrary the Appellant's explanation regarding the nature and source of investments, supported by bank statements and audited books have been ignored without providing any explanation as to why the same are not considered. The learned CIT (Appeals)/NFAC erred in upholding the addition under Section 69 of the Act by shifting the onus of proof onto the Appellant without the Assessing Officer having discharged the initial burden of establishing that the investments were indeed not recorded in the books of account and are unexplained.
6. The learned CIT (Appeals)/NFAC erred in upholding the assessment order passed by the Assessing Officer when the assessment was initially selected for "limited scrutiny" to verify contract receipts, sales turnover and deduction claimed on account of interest expenditure but the Assessing Officer, without any change in the scope of scrutiny,

proceeded to make arbitrary additions referable to alleged unexplained investments, which are beyond the scope of limited scrutiny.

7. The learned CIT (Appeals)/NFAC erred in relying upon several factors and arguments, such as the Appellant's business activity, financial capacity, and inter-company linkages (e.g., Baitarani Power Project Pvt. Ltd.), which were never questioned during 7 the Assessment Proceedings and in fact addition was made by the Assessing Officer on the alleged ground that as per financial statements and return of income investment has not been made during the relevant financial year, whereas investment was duly recorded in the books of account and return of income.
8. The learned CIT (Appeals)/NFAC ought to have verified the information available on record rather than supporting the order of the Assessing Officer based on assumptions and presumptions and infact ought to have called upon information but in the instant case no such notice was issued during the appellate proceedings thereby denying the Appellant a fair hearing on these crucial aspects in violation of the principles of natural justice.
9. Section 69 requires proof of unexplained investments without a satisfactory source. In the present case, the funds have a genuine business purpose, with redemption aligned to project needs; hence, the presumption of unexplained investment is unsustainable. The learned CIT (Appeals)/NFAC has relied on incomplete information, particularly regarding the nature of receipts from "Baitarani Power Project Pvt. Ltd." and the alleged 9 lack of income offered to tax on these receipts, without a thorough investigation and hence the order passed based on surmises and conjectures without application of mind is bad in law. The Appellant craves leave to add, amend, alter OR remove any of the above grounds of appeal. For these and other grounds that may be urged at the time of hearing Hon'ble ITAT may be pleased to remove the arbitrary additions deciding appeal in favour of the Appellant.
10. The learned CIT(A)/NFAC has erred in upholding the Assessment Order passed under Section 143(3) of the Income Tax Act, 1961, dated 18.12.2018, which is bad in law and contrary to the facts and circumstances of the case."

2. Succinctly stated, the assessee company, which is engaged in the business of electricity generation by coal based thermal electric plant had filed its return of income for AY 2016-17 on 29/09/2016, declaring an income of Rs.46,92,650/-. Thereafter, the case of the assessee company was selected for "limited scrutiny" under CASS for examination of certain issues, viz., (i) whether contract receipts/fees have been

correctly offered for tax; (ii) whether sales turnover/receipts have been correctly offered for tax; and (iii) whether deduction claimed on account of interest expenses is admissible.

3. During the course of the assessment proceedings, the AO observed that the assessee company had in the subject year made an investment of Rs.3,78,00,000/- with M/s. J M Financial Mutual Fund. The AO after taking cognizance of the fact that the aforementioned investment made by the assessee company during the subject year under consideration was not disclosed in its financial statement and the return of income, thus made an addition of the same by treating it as an unexplained investment. The AO vide his order passed under section 143(3) of the Act, dated 18/12/2018, determined the income of the assessee at Rs.4,24,92,650/-.

4. Aggrieved, the assessee company carried the matter in appeal before the CIT(A) but without success.

5. The assessee company aggrieved with the order of the CIT(A) has carried the matter in appeal before us.

6. We have heard the Learned Authorized Representatives of both parties, perused the orders of the lower authorities and the material available on record, as well as considered the judicial pronouncements

that have been pressed into service by the Learned Authorized Representatives of both parties to drive home their contentions.

7. Shri Sashank Dundu, Learned Authorized Representative (for short, "Ld. AR") for the assessee at the threshold of hearing of the appeal, submitted that the same involves a delay of 147 days. Elaborating on the reason leading to the delay, the Ld. AR submitted that the same had crept in because the Accountant of the assessee company who was looking after the tax compliances/matters had met with an accident on 16/10/2024 and was admitted in a hospital wherein he had undergone a surgery. The Ld. AR submitted that as the surgery of the Accountant was unsuccessful, therefore, he was subjected to another surgical procedure which was done on 18/02/2025. The Ld. AR submitted that as the Accountant, who was subjected to two surgeries and being a middle aged person was strictly advised to take complete bed rest his health recovered. Carrying his contention further, the Ld. AR submitted that the Accountant of the assessee company viz., Sri Akilla Gopala Krishna Murthy, because of the aforesaid accident had remained on medical leave until August, 2025. The Ld.AR to fortify his contention had drawn our attention to the application seeking condonation of delay filed by the assessee company, dated 24/09/2025 supported by the affidavit of Sri Akilla Gopala Krishna Murthy, i.e., the Accountant of the

and medical certificates of M/s. Gemcare Poulomi Hospitals/KIMS-Sunshine Hospitals. The Ld. AR took us through the medical certificates which revealed that Shri Akilla Gopala Krishna Murthy, i.e., the Accountant of the assessee company during the relevant period had met with an accident and had undergone surgery. Also, our attention was drawn to the medical certificate issued by Dr. B. Chandra Sekhar (MS-Ortho), C/o. KIMS-Sunshine Hospitals wherein the aforementioned person was advised bed rest at home from 18/02/2025 to 16/06/2025. The Ld. AR based on the aforesaid facts submitted that the delay in filing of the present appeal had occasioned for the reason that Sri Akilla Gopala Krishna Murthy, i.e., the Accountant of the assessee company who was looking after the tax matters was unavailable and the assessee company had remained unaware of the order passed by the CIT(A). The Ld. AR submitted that the assessee company had gathered about the dismissal of its appeal only when the AO in the month of August, 2025 had contacted it for the recovery of the balance outstanding demand. The Ld. AR submitted that the assessee company on learning about the dismissal of its appeal had, involving no further loss of time approached its counsel and filed the present appeal. The Ld. AR submitted that as the delay in filing of the present appeal had crept in because of bona fide

reason and not on account of any lackadaisical approach, therefore, the same in all fairness be condoned.

8. Per contra, Ms. Aditi Goyal, Learned Senior Departmental Representative (for short, "Ld. Sr-DR") vehemently objected to the seeking of the condonation of the delay involved in filing of the present appeal by the assessee company. The Ld. Sr-DR pointed out certain infirmities in the claim of the assessee company that its accountant at the relevant point of time was unavailable due to medical reasons. Apart from that, the Ld. DR submitted that as the delay in filing of the appeal was inordinate, therefore, the same does not merit to be condoned.

9. We have thoughtfully considered the contentions of the Ld. AR regarding the delay in filing of the present appeal in the backdrop of the material before us.

10. Admittedly, it is a matter of fact that the delay of 147 days involved in the present appeal is inordinate. However, at the same time, we cannot remain oblivious of the fact that the said delay had crept in for the reason that the Accountant of the assessee company who was looking after its tax matters had met with an accident and undergone two surgeries followed by hospitalization and rest at home as per medical advise and thus, remained unavailable. In our view, the affidavit filed by Sri Akilla Gopala Krishna Murthy, i.e., the Accountant of the assessee

company wherein he had admitted the fact that the delay in filing of the present appeal was attributable to his unavailability because of the aforementioned compelling reasons, therefore, the said delay in all fairness and in the interest of justice merits to be condoned. Our aforesaid view that a liberal approach should be taken while considering an application seeking condonation of the delay involved in filing of an appeal is supported by the judgment of the **Hon'ble Supreme Court** in the case of **Vidya Shankar Jaiswal vs. The Income Tax Officer, Ward-2, Ambikapur in Special Leave Petition (Civil) Nos. 26310-26311/2024, dated 31<sup>st</sup> January, 2025**. The Hon'ble Apex Court while setting aside the order of the Hon'ble High Court of Chhattisgarh, which had approved the declining of the condonation of delay of 166 days by the Income-Tax Appellate Tribunal, Raipur Bench, had observed, that a justice-oriented and liberal approach should be adopted while considering the application filed by an appellant seeking condonation of the delay involved in filing the appeal. We thus, in terms of our aforesaid observations, condone the delay involved in the filing of the present appeal.

11. Coming to the merits of the case, the Ld. AR has assailed the validity of the order passed by the AO under section 143(3) of the Act, dated 18/12/2018 for two fold reasons, viz., (i) that the AO had exceeded

the scope of the jurisdiction that was vested with him for framing the “limited scrutiny” and had made the impugned addition on an issue which was never the basis for selection of the case of the assessee for the said limited scrutiny proceedings; and (ii) that as the investment of Rs.3.78 crores made by the assessee company was made from its disclosed sources as reflected in its books of accounts, therefore, there was no justification for the AO to have made an addition of the same by treating it as an unexplained investment.

12. The Ld. AR to buttress his contention that the AO had traversed beyond the scope of his jurisdiction and made the impugned addition under section 69 of the Act, i.e., an issue which was never the basis for selection of the case of the assessee for limited scrutiny had drawn our attention to the copy of the notice issued under section 143(2) of the Act, dated 10/08/2017, Page No.1 of APB. The Ld. AR submitted that as the case of the assessee company was selected for “limited scrutiny” only for carrying out an examination on three issues, viz., (i) whether contract receipts/fees have been correctly offered for tax; (ii) whether sales turnover/receipts have been correctly offered for tax; and (iii) whether deduction claimed on account of interest expenses is admissible, therefore, the AO without seeking approval of the CIT and getting the

said 'limited scrutiny' converted into a 'complete scrutiny' could not have made the addition of Rs.3.78 crores under section 69 of the Act.

13. Apropos, the merits of the case, the Ld. AR submitted that the AO had grossly erred in law and facts of the case in summarily observing that the investment of Rs.3.78 crores made by the assessee company in M/s. J M Financial Mutual Fund was an unexplained investment. Elaborating on his contention, the Ld. AR had drawn our attention to the balance sheet of the assessee company as on 31/03/2016 read along with "Note-14", Page Nos.22 and 33 of APB. The Ld. AR submitted that the "cash and cash equivalents" (current assets) of Rs. 62,85,918/- as disclosed in the 'balance sheet' of the assessee company on 31/03/2016, inter alia, included M/s. JMF Mutual Funds of Rs.18,43,309/-, Page No.33 of APB. The Ld. AR had further drawn our attention to the "JMF Mutual Fund Investment Statement with Dividend" appearing in the books of account of the assessee company for the subject year, i.e., 01/04/2015 to 31/03/2016, which revealed that the assessee company during the subject year had made total investment of Rs.3.78 crores in M/s. JMF Mutual Fund during the subject year, i.e., 01/04/2015 to 31/03/2016, which in turn was sourced from the rotation of funds carried out through its bank account held with HDFC Bank Limited, Page 24 of APB. Also, the Ld.AR to dispel any doubt regarding

its claim that the investments during the subject year in JMF Mutual Fund were routed through its HDFC Bank account No.50200002463150 had taken us through the said bank account, Page Nos.37 to 100 of APB. The Ld.AR had further referred to the respective dates on which the investments in JMF Mutual Fund (as disclosed in the statement) were made through the aforesaid bank account. The Ld. AR submitted that as the amount of Rs.18,43,309.05 reflected against the aforesaid JMF Mutual Fund on 31/03/2016 was the balance amount at the end of the year, therefore, the AO taking cognizance of the fact that the entire investment in the said JMF Mutual Fund was routed through the bank account of the assessee company as was accounted for in its books of account, ought not to have drawn any adverse inference much the less made the impugned addition in its hands.

14. Per contra, the Ld. Sr-DR relied upon the orders of the authorities below. The Ld. DR submitted that as the assessee company had failed to substantiate its aforesaid claim regarding the source of its investment in M/s. JMF Mutual Fund based on clinching and irrefutable documentary evidence, therefore, both the authorities below had rightly made/sustained the impugned addition.

15. We have thoughtfully considered the contentions of the Learned Authorized Representatives of both parties regarding the issue in hand.

16. In our view, there is substance in the Ld. AR's claim that the investment of Rs.3.78 crores made by the assessee company in M/s. JMF Mutual Fund during the subject year was sourced out of the rotation of funds through its bank account No. 50200002463150 maintained with HDFC Bank Limited, Branch Srinagar Colony, Hyderabad. At the same time, we are of the view that as the assessee company had failed to substantiate its aforesaid claim based on the aforesaid documentary evidence in the course of the proceedings before the authorities below, therefore, the same requires to be considered by them. We thus, in terms of our aforesaid observations, set aside the matter to the file of the AO with a direction to readjudicate the same in the backdrop of the aforesaid explanation of the assessee company that the investment of Rs.3.78 crores made during the subject year in M/s. JMF Mutual Fund was sourced out of rotation of funds through its duly accounted bank account No. 50200002463150 with HDFC Bank Limited, Branch Srinagar Colony, Hyderabad. The AO during the course of the set aside proceedings shall remain at liberty to carry out verifications as he may deem fit to his satisfaction. Needless to say, the Ld. AO shall in the course of the set aside proceedings afford a reasonable opportunity of being heard to the assessee company who shall remain at liberty to substantiate its claim based on fresh documentary evidence, if any.

17. Resultantly, the appeal filed by the assessee company is allowed for statistical purposes in terms of our aforesaid observations.

Order pronounced in the open court on 20<sup>th</sup> February, 2026.

<b>Sd/-</b> <b>(MANJUNATHA G.)</b> <b>ACCOUNTANT MEMBER</b>	<b>Sd/-</b> <b>(RAVISH SOOD)</b> <b>JUDICIAL MEMBER</b>
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Hyderabad,  
Dated 20<sup>th</sup> February, 2026.  
**\*OKK / SPS**

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3	The Pr.CIT, Hyderabad
4	The DR, ITAT Hyderabad Benches
5	Guard File

By Order

Sr. Private Secretary,  
ITAT, Hyderabad.