

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

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

Sl. No(s)	आयकर अपील सं/ ITA No(s)	निर्धारण वर्ष/ Assess- ment Year(s)	Appeal(s) by :	
			अपीलार्थी/ Appellant	प्रत्यर्थी/ Respondent
1.	2350/Ahd/2025	2020-21	Ambica Ashish Trade Link LLP, Block No. 74P, Dehgamda, Bavla, Ahmedabad, Gujarat - 382220 <b>PAN: ABCFA3770G</b>	Deputy Commissioner of Income Tax, Central Circle- 1(4), Ahmedabad – 380009
2.	2351/Ahd/2025	2021-22	Ambica Ashish Trade Link LLP	DCIT, Central Circle-1(4)
3.	2352/Ahd/2025	2022-23	Ambica Ashish Trade Link LLP	DCIT, Central Circle-1(4)
4.	2353/Ahd/2025	2023-24	Ambica Ashish Trade Link LLP	DCIT, Central Circle-1(4)
5.	2247/Ahd/2025	2020-21	DCIT, Central Circle-1(4)	Ambica Ashish Trade Link LLP
6.	2248/Ahd/2025	2021-22	DCIT, Central Circle-1(4)	Ambica Ashish Trade Link LLP

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7.	2284/Ahd/2025	2022-23	DCIT, Central Circle-1(4)	Ambica Ashish Trade Link LLP
8.	2285/Ahd/2025	2023-24	DCIT, Central Circle-1(4)	Ambica Ashish Trade Link LLP

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Sl. No(s)	आयकर अपील सं/ ITA No(s)	निर्धारण वर्ष/ Assessment Year(s)	Appeal(s) by :	
			अपीलार्थी / Appellant	प्रत्यर्थी / बनाम/vs. Respondent
9.	2354/Ahd/2025	2020-21	Ambica Trading Co, Ground Floor, Survey No. 05, Inside Raipur Gate, Nr. Murlidhar Mandir, Raipur, Ahmedabad-380001  PAN: <b>AASFA2846G</b>	Deputy Commissioner of Income Tax, Central Circle- 1(4),  Ahmedabad – 380009
10.	2355/Ahd/2025	2021-22	Ambica Trading Co.	DCIT, Central Circle-1(4)
11.	2356/Ahd/2025	2022-23	Ambica Trading Co.	DCIT, Central Circle-1(4)
12.	2357/Ahd/2025	2023-24	Ambica Trading Co.	DCIT, Central Circle-1(4)
13.	2358/Ahd/2025	2024-25	Ambica Trading Co.	DCIT, Central Circle-1(4)

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Sl. No(s)	आयकर अपील सं/ ITA No(s)	निर्धारण वर्ष/ Assessment Year(s)	Appeal(s) by :	
			अपीलार्थी/ Appellant	प्रत्यर्थी/ बनाम/vs. Respondent
14.	2359/Ahd/2025	2020-21	Bahucharkrupa Trading Co., Survey No. 202, Village Badodara, Tal, Daskoi, Ahmedabad-382435 PAN: <b>AAJFB4215D</b>	Deputy Commissioner of Income Tax, Central Circle-1(4), Ahmedabad – 380009
15.	2360/Ahd/2025	2021-22	Bahucharkrupa Trading Co.	DCIT, Central Circle-1(4)
16.	2361/Ahd/2025	2022-23	Bahucharkrupa Trading Co.	DCIT, Central Circle-1(4)
17.	2362/Ahd/2025	2023-24	Bahucharkrupa Trading Co.	DCIT, Central Circle-1(4)
18.	2363/Ahd/2025	2024-25	Bahucharkrupa Trading Co.	DCIT, Central Circle-1(4)

Assessee by	Shri Dhrunal Bhatt, AR		
Revenue by	Shri Alpesh Parmar, CIT-DR		
Date of Hearing	10.02.2026		
Date of Pronouncement	27.03.2026		

## **ORDER**

### **PER BENCH:**

The above 18 appeals are filed by three assessees namely Ambica Ashish Trade Link LLP, Ambica Trading Company and Bahucharkrupa Trading Co. in respect of Assessment Years (A.Y.) 2020-21 to 2024-25 and also by the Revenue in the case of Ambica Ashish Trade Link LLP only, against the orders of the Commissioner of Income Tax(Appeal)-11, Ahmedabad (in short "CIT(A)"). All the matters were heard together as the facts involved and the grounds raised by the different assessee are identical and are being disposed of vide this common order for the sake of convenience. We will treat the appeal in the case of Ambica Ashish Trade Link LLP for the A.Y. 2020-21 as the lead case. Before we take up the grounds raised by the assessee and Revenue, it will be relevant to recapitulate the facts of the case.

### **Ambica Ashish Trade Link LLP**

#### **Brief facts of the case**

2. Succinctly, the facts of case are that a search and survey operation was conducted in Ambica Firework Group on 16.11.2023. Ambica Ashish Trade Link LLP is controlled and managed by Shri Ashish Khajanchi and is engaged in seasonal business dealing in fireworks, kites, threads, rakhis, toys etc. In the course of search certain incriminating materials were found from different premises which have been analysed in-depth and discussed at great length in the assessment order. The findings and

the conclusion of the AO in respect of the incriminating evidences can be summarised as under:

(i) The AO analysed the invoicing mechanism of wholesale bills of M/s. Ambica Ashish Trade Link LLP. In the GST invoices “**discount**” and “**special discount**” was offered by the assessee, which according to the AO **represented cash portion of the payments** made by the purchasers to the assessee. This conclusion was arrived on the basis of statement of Shri Tejas Vikrambhai Modi, an employee of the assessee, who had meticulously explained the various components of the invoice bills. It was found that the amount received in cash against “discount” and “special discount” on wholesale and semi wholesale bills was not accounted for in the books of account of the assessee. The invoices were prepared in a billing software known as “**FAS**”.

(ii) The AO analysed the ledger accounts appearing in MITI software and on the basis of explanation of Shri Sandeep Singh Mewad, Accountant of the assessee, found that MITI software represented actual status of sales and receipts from customers. However, the entry made in the Tally account of the firm was not inclusive of the “discount” and “special discount” amount appearing in the invoices and thus, the cash received on account of discounts was completely unaccounted.

(iii) On comparison of ledgers of MITI software and the audited books of account, the AO found that the invoice value in audited Tally account was significantly lower than the invoice value in the MITI ledgers. This difference was on account of fact that the amount of MITI ledger included the discounted amount whereas the audited Tally had entry for net amount only. On the basis of this analysis, the AO concluded that the assessee

was engaged in unaccounted sales in cash and the amount of “discount” and “special discount” shown in the bills were the proceeds received in cash. This conclusion was reinforced by the fact that the entries appearing in the MITI account were deleted after the balance of the customer was squared off.

(iv) The account of daily receipt and payment of cash was maintained in daily cash book or “ROJMEL Account”. The sales related transactions in Rojmel were entered in respective ledger of the parties in MITI software while the transactions related to investment, purchase, capital introduction or withdrawal, other miscellaneous transactions etc. were entered in Tally software account named “ABC”. The assessee involved Angadia to receive cash and also for dispersal of cash to various parties, which was duly recorded in Rojmel account.

(v) Rojmel account contained details of all accounted and unaccounted cash transactions. The transactions appearing in Rojmel account were most comprehensive record, which was kept in a secret premises. The transactions in Rojmel account were entered in code (by reducing 2 decimal points and were back dated by 10 years).

(vi) The AO after painstakingly analysing the seized documents had concluded that Rojmel account encompassed the transactions in the MITI software, FAS software and ABC Tally and was the most comprehensive document and that the reliance on Rojmel account will reveal maximum of the unaccounted transactions.

(vii) The AO had digitised the entries in Rojmel account in Tally Prime software in an account named “**AATL**”. Further on analysis of Tally data in AATL, the AO had identified unaccounted sales, unaccounted

purchases, unaccounted investment in land, unaccounted investment in jewellery, unaccounted capital withdrawal & introduction and other unaccounted expenses, which have been elaborately discussed in the assessment order.

(viii) In the course of assessment, the assessee was confronted with the unaccounted transactions found on analysis of AATL Tally data. The assessee had objected to treating the “discount” and “special discount” as cash receipts and stated that the data in MITI software were only estimated potential sales figure for internal working. It was further explained that agent-based transactions were misclassified as unaccounted sales of the assessee. The assessee had also taken a plea that it should be taxed in respect of the unaccounted transactions only on the basis of profit ratio.

(ix) The AO while rejecting the contentions of the assessee had considered that the assessee was also engaged in agency-based sales and that only the real income of the assessee should be taxed. Accordingly, the AO had worked out the profit out of unreported cash sales by applying profit rate of 20%. On the agency/facilitation based unaccounted cash sales transactions, the AO had applied profit rate of 8% to work out the income. The additions were made in all the years on the basis of these two profit rates for unaccounted cash sales and unaccounted agency-based sales.

**3.** Aggrieved with the order of the AO the assessee had filed appeal before the First Appellate Authority, which was decided by the Ld. CIT(A) vide his common order dated 29.09.2025 for the A.Ys. 2020-21 to 2023-24. The Ld. CIT(A) had reduced the addition on account of unaccounted

cash sales by reducing the profit rate of 20% adopted by the AO to 5%. For the facilitation-based unaccounted cash sale transactions, the profit rate of 8% applied by the AO was reduced to 2%.

4. Aggrieved with the order of the Ld. CIT(A), both the assessee and the Revenue are in appeal before us. The following grounds have been taken in these two appeals.

**ITA No. 2350/Ahd/2025 : A.Y. 2020-21 (Assessee)**

1. *In law and in the facts and circumstances of the case of the appellant, the order passed by the Ld. AO is bad in law and deserves to be quashed*
2. *In law and in the facts and circumstances of the case of the appellant, the Ld. CIT(A) has grossly erred in sustaining the addition of profit element on alleged unaccounted sales and agency-based transactions on the basis of loose sheets found from the premises which are not known/owned by the appellant*
3. *In law and in the facts and circumstances of the case of the appellant, the Ld. CIT(A) has grossly erred in sustaining the addition of profit element on alleged unaccounted sales and agency-based transactions solely on the basis of Tally data prepared by the Department, which is neither reliable nor independently corroborated, and hence, cannot be made the basis for any addition*
4. *In law and in the facts and circumstances of the case of the appellant, the Ld. CIT(A) has grossly erred in holding that appellant has earned unaccounted profit @ 5% on alleged unaccounted sales when no such addition is required to be made. The Ld CIT(A) failed to appreciate that loose material found during the course of search does not establish that appellant has in fact carried out such unaccounted sales as alleged by the AO.*
5. *In law and in the facts and circumstances of the case of the appellant, the Ld. CIT(A) has grossly erred in holding that appellant has earned unaccounted commission @ 2% on agency-based transactions when no such addition is required to be made The Ld. CIT(A) failed to appreciate that loose material found during the course of search does not establish that appellant has in fact carried out such unaccounted agency-based transactions as alleged by the AO.*
6. *In law and in the facts and circumstances of the case of the appellant, the Ld. CIT(A) has erred in rejecting the retraction of statements filed by the partners as well as employees of appellant on the ground that there is time gap of 15 months between admission made during the course of search and retraction made by concerned persons,*

*whereas the statements were in fact retracted within 15 months through duly notarized affidavits explaining correct facts of the case*

7. ***Without prejudice to the above***, in law and in the facts and circumstances of the case of the appellant, the Ld. CIT(A) has grossly erred in estimating/confirming the net profit on alleged unaccounted sales @5%, which is nearly three times the average net profit reflected in both the appellant's and its competitor's books of account, which is without any basis and there is no justification for such a disproportionate estimation.
8. ***Without prejudice to the above***, in law and in the facts and circumstances of the case of the appellant, the Ld. CIT(A) has grossly erred in estimating commission income on alleged agent-based facilitation transactions at an exorbitantly high rate of 2%, without any basis or justification for such a disproportionate estimation
9. *In law and in the facts and circumstances of the case of the appellant, the Ld. CIT(A) has grossly erred in sustaining the addition of net profit on alleged unaccounted sales despite no unaccounted stock being found during the search, which clearly indicates that the in any case, entire alleged transactions are in the nature of agency-based facilitation and not actual unaccounted sales of the appellant.*
10. *The appellant craves leave to add, alter or amend and/or withdraw any ground or grounds of appeal either before or during the course of hearing of the appeal.*

### **ITA No. 2247/Ahd/2025: A.Y. 2020-21 (Revenue)**

1. *The Ld. CIT(A) has erred in law and on facts in restricting the profit rate on unaccounted turnover from 20% to 5% without any cogent reasoning or supporting evidence, thereby granting undue relief to the assessee*
2. *The Ld. CIT(A) has failed to appreciate that the Assessing Officer had arrived at the estimation of profit @ 20% on the basis of seized digital data (MiTi/FAS software), Rojmel books, cash ledgers, and statements recorded under section 132(4), which clearly established large-scale unaccounted business transactions and substantial profit margins.*
3. *The Ld. CIT(A) has erred in holding that the estimation of profit @ 20% made by the Assessing Officer was excessive and arbitrary, ignoring the cash-intensive nature of the assessee's business and the unrecorded rotation of capital revealed during search and seizure proceedings.*
4. *The Ld. CIT(A) has erred in reducing the rate of commission on facilitation-based unaccounted cash transactions from 8% to 2%, ignoring the evidences found during the search which clearly indicated that the assessee earned substantial margins on such facilitation activities*
5. *The Ld. CIT(A) has erred in law in giving partial relief without bringing any comparable industry data or judicial precedent to support the reduced rates adopted,*

*thereby rendering the findings arbitrary, unreasoned, and contrary to the material available on record*

6. *The Ld. CIT(A) has failed to appreciate that the seized data, corroborated statements, and analysis made by the Assessing Officer were complete and reliable, and that the observations of the CIT(A) regarding the data being incomplete or unreliable are contrary to the facts and records.*
7. *The Ld. CIT(A) is perverse and unsustainable in law, as it ignores material evidences and results in substantial and unwarranted loss of revenue to the exchequer.*
8. *That the appellant craves leave to add, alter, amend, or withdraw any of the above grounds of appeal at the time of hearing.*

### Submissions of the Assessee

5. All the grounds taken by the assessee as well as the Revenue pertain to additions on the basis of profit rates on the unaccounted cash transactions. Shri Dhrunal Bhatt, the Ld. AR of the assessee, submitted that the Ld. CIT(A) was not correct in sustaining the addition of profit element on alleged unaccounted sales of agency-based transactions on the basis of loose sheets found from the premises, which were not owned up by the assessee. He contended that the tally data prepared by the department on the basis of the seized documents was neither reliable nor independently corroborated and no addition on that basis could have been made. He further submitted that the statement of the partners and employees were all retracted and, therefore, no credence could have been given to their statements and explanation as given by them in the course of search. The Ld. AR submitted that the seized materials demonstrated only facilitation trading as multiple entries in the loose paper/Rojmel account reflected simultaneous recordings of receipts and corresponding payments, often on the same date, and this fact was accepted by the AO. Such back-to-back recording was inconsistent with

principal-to-principal trading and reflected that the assessee was working on pass-through facilitation / commission model. The Ld. AR submitted that there were multiple instances where the customers had directly transferred amounts to manufacturers or agents which cannot be characterized as unaccounted sales of the assessee. According to the Ld. AR, the evidences found in the course of search, supported the fact that the assessee had acted only as an intermediary/facilitator and the AO had misclassified the agent-based transactions as unaccounted sales of the assessee. According to the Ld. AR, this fact was also supported by the fact that no stock discrepancy was found in the course of search. He explained that if the assessee had indulged in unaccounted trading or cash sales as a principal, such activity would have manifested in stock mismatch.

**5.1** As regarding the transactions in the loose papers/Rojmel account, the Ld. AR submitted that the assessee did not own the goods and the transactions were recorded in Rojmel account only with a motive of work-out the percentage of commission income. He contended that the characterization of the transactions as unaccounted sales of the assessee, was not at all justified in the facts of the case. On the issue of estimation of profit, the Ld. AR submitted that since all the transactions undertaken by the assessee was in the nature of agency-based transaction, the Ld. CIT(A) should not have applied profit rate of 5% by treating major part of the transaction as unaccounted sales of the assessee. According to the Ld. AR, all the transactions should have been treated as agency-based transactions. Further, the net profit rate of 2% applied by the Ld. CIT(A) on the agency-based transaction was also too high.

Submissions of the Revenue

6. Per contra, Shri Alpesh Parmar, Ld. CIT-DR strongly supported the order of the Assessing Officer. He has painstakingly taken us through the assessment order and drew our attention to the in-depth analysis of the seized documents found in the course of search, as made by the AO. He submitted that the AO had carefully examined the seized digital data in the form of MITI/FAS software, Rojmel account, cash ledgers etc. and also the statements recorded during the search, which clearly established large scale unaccounted business transactions and substantial profit margin. The Ld. CIT-DR explained that the AO had digitized the seized Rojmel data, which was most comprehensive data, in Tally software AATL and worked out the unaccounted transactions. The AO had further considered the explanation of the assessee that certain transactions were agency-based sales and had required the assessee to identify such transactions. On the agency-based transactions identified by the assessee itself, the AO had applied GP rate of 5% to estimate the income and on the balance unaccounted transactions, which represented the unaccounted sales of the assessee as principal, GP rate of 20% was applied. The Ld. CIT-DR submitted that when the assessee itself had identified the agency-based transactions before the AO, it now cannot take a plea that all the transactions in the seized documents were in respect of agency-based transactions and there were no unaccounted sales of the assessee as principal. He explained that the “discount” and the “special discount” appearing in the invoices, which represented cash receipts, clearly established that these transactions pertained to the assessee itself. According to Ld. CIT-DR as the payment was made in

agency-based transactions by the buyer to the manufacturer directly and the assessee was only receiving commission in that respect, there could have been no question of “discount” and “special discount” in agency-based transactions. He further explained that in the business model where the assessee was receiving part of the sale proceeds in cash in the form of “discount” and “special discount”, there could not have been any stock mismatch. On the issue of estimation of profit, the Ld. CIT-DR submitted that the Ld. CIT(A) was not correct in reducing the estimation made by the AO for unaccounted transactions of the assessee from 20% to 5%. Similarly, the reduction of profit rate for facilitation-based transactions from 8% to 2% was also not justified. He, therefore, strongly supported the order of the Assessing Officer.

Our findings:

7. We have carefully considered the rival submissions and also gone through the materials and evidences brought on record. According to the assessee, the documents found in the course of search in the form of loose papers, Rojmel, MITI account, FAS account, ABC, Tally software etc. had no evidentiary value and were dumb documents. It is found that the AO had elaborately discussed the evidences found in the course of search in the assessment order which runs into hundreds of pages. There is no dispute to the fact that these documents pertain to the assessee. Further, the assessee has not pointed out any defect/mistake in the analysis of the documents as made by the AO in the assessment order. Merely because the information found in the course of search was not complete, the documents do not lose their evidentiary value. The AO had not only corroborated the entries appearing in the various seized documents with each other, but also reconstructed the account of the

assessee in AATL software based on which various unaccounted transactions of the assessee viz. unaccounted sales, unaccounted purchases, unaccounted investment in land, unaccounted investment in jewellery, unaccounted capital withdrawal & introduction, other unaccounted expenses etc., were worked out. No defect or any inconsistency in the working of the AO has been brought on record by the assessee. Considering the nature of the entries appearing in the seized documents as well as the correlation & the analysis as made by the AO in the assessment order, these documents cannot be treated as dumb document.

**8.** In the assessment order, the AO has made multiple corroboration amongst MITI, Rojmel, ABC tally etc. and also the bank transactions. Therefore, the contention of the assessee that the seized documents were only estimates for business planning was not correct and was rightly rejected. The findings given by the AO at page number 362 of the assessment order is found to be as under:

- (a) *Rojmel of any day consists of two parts. Those being Avak meaning Inflow and Javak meaning Outflow.*
- (b) *The transactions in Rojmel are in cash. This is established by denomination wise breakup of cash in hand at the end of the day.*
- (c) *The Rojmel are continuous in nature which means that the cash in hand at the end of the previous day is brought forward to the next day which becomes opening cash in hand of the next day.*
- (d) *The cash in-flow on the day is added to the opening cash in hand, whereas, the cash outflow on the day is reduced from the aggregate of opening cash and cash inflow of the day. This gives us cash in hand at the end of the day or closing balance of the day. This closing balance eventually becomes opening balance of next day.*
- (e) *The entries against which "P" is mentioned are those entries which have been posted in ABC Tally by reducing decimal by 2 zeros and back dating the date by 10 years.*

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- (f) *It is pertinent to mention that on Avak side entry is made in a manner that the name of party and place of party are specifically mentioned...*
- (g) *Wherever the cash is received through Anagadia, the token no of angadia and the name of the angadia is mentioned in shortform.*
- (h) *The retail sale of various counters in cash is also mentioned counter number wise in the Rojmel.*
- (i) *There are instances where the amount is directly transferred by the customers [from whom M/s Ambica Ashish Tradelink LLP have to receive amount] to manufacturers [to whom M/s Ambica Ashish Tradelink LLP has to pay amount]. Such entries are made both on Avak side and Javak side These types of transactions are also not entered in the audited books of accounts of M/s Ambica Ashish Tradelink LLP and hence are unaccounted...*
- (j) *The transactions in Rojmel also reveal that Shri Ashish J Khajanchi has agents at Sivakasi, Tamil Nadu. Shri Khajanchi use to transfer payment to these agents through angadia. These agents were responsible for managing of cash related to M/s Ambica Ashish Tradelink LLP at Sivakasi. Such management being payment to suppliers/manufacturers, payment to transporters, storage of goods etc. One of the main agent of M/s Ambica Ashish Tradelink LLP at Sivakasi is Shri Suresh Ramani. Some of the sample entries of Shri Suresh Ramani in Rojmel dated 13.06.2023 which have been inventoried as Page no. 205 to 207 of Annexure A-127 are as under.....*
- (k) *Further, on analysis of Rojmel it has been seen that the Rojmel contains transactions of various natures viz. Unaccounted Sales, Unaccounted purchases, unaccounted expenses, Unaccounted Investment in Land, Unaccounted investment in jewellery, Unaccounted expenses on transportation, Unaccounted capital nature transactions, Unaccounted personal expenses, petty cash expenses etc.*
- (l) *The transactions in Rojmel are unaccounted as well as accounted. The same is established from 3 comparison of Rojmel with the Audited books of Mis Ambica Ashish Tradelink LLP. The comparison is as under:.....*
- (n) *Rojmels also contains some of the transactions which are not aggregated in the cash total of the day. These transactions only pertain to 2 years i.e. FY 2017-18 and FY 2018-19. Sample Rojmel showing such transactions are as under:.....*

**9.** The above findings of the AO were never controverted by the assessee. It is found that the AO had meticulously analysed the seized data and corroborated the entries with support of illustration drawn from the assessee's own account. Merely because the assessee had

submitted affidavit of the employees retracting their statements given during the course of search, this does not obliterate the evidentiary value of the seized documents. No alternative explanation of the seized documents was given while retracting the statements. Therefore, the AO had rightly treated the retraction statements as after-thought and self-serving document. It is found that the Ld. CIT(A) had elaborately discussed the evidentiary value of the seized documents, rejection of affidavits and the retraction, demand for cross-examination, preponderance of probabilities and we don't find any fault on his findings in these respect. Accordingly, the decision of the Ld. CIT(A) on these issues, is upheld.

**10.** The AO on the basis of "Net cash receipt as per AATL Tally account of Sales" and the "Net cash receipt as per Audited Tally account of Sales" had worked out the "Under-reported Sales" for different years, the details of which is appearing at page number 165 of the assessment order. When confronted with this analysis, the assessee had submitted that various sales instances were in the nature of trade-facilitation and the assessee had earned only commission income on such transactions. Accordingly, the assessee had also provided details of facilitation-based unaccounted cash sales transactions to the AO. On the basis of the details of facilitation-based uncounted cash sales transactions provided by the assessee, the AO had bifurcated the total under reported cash sales for different years as under:

<b>FY</b>	<b>Asstt.Year</b>	<b>Total Under Reported cash sales</b>	<b>Facilitation based unaccounted cash sale transactions</b>	<b>Remaining under- reported cash sales</b>
2019-20	2020-21	55,36,68,535,	17,36,14,597	38,00,53,938
2020-21	2021-21	35,55,73,035	17,47,73,545	18,07,99,490
2021-22	2022-23	61,78,07,862	22,74,33,953	39,03,73,909
2022-23	2023-24	85,13,61,613	22,05,26,701	63,08,34,912
2023-24	2024-25	23,97,70,929	8,39,06,945	15,58,63,984

**11.** Now, the assessee has contended that the entire under reported cash sales were on account of facilitation-based transactions only. On a careful examination of the seized loose papers / Rojmel, it is evident that a number of entries therein reflect simultaneous or near simultaneous recording of receipts and corresponding payments, often on the very same date, which pattern is inherently consistent with the assessee's claim that the Rojmel was maintained as an aide memoire to track transactions facilitated between distinct buyers and suppliers. The AO also, in the show cause notice as well as in the body of the assessment order, has acknowledged that there exist multiple instances where the amounts were directly transferred by customers to the manufacturers / agents without the funds being routed through the assessee. This factual position noted by the Revenue suggests that in certain transactions, the

assessee may not have directly received the cash or funds and the entries in the Rojmel could have been in the nature of notings or notations recording the movement of funds between third parties, which the assessee was tracking for the limited purpose of computing its facilitation income. The assessee, however, has been unable to place before us any additional cogent and independently verifiable evidence, beyond what was already submitted before the AO, to conclusively demonstrate that each and every entry in the Rojmel partakes exclusively of this facilitation character. When the assessee itself had taken a plea before the AO that only part of the total under reported cash sales was on account of facilitation-based transactions, now it cannot take a plea that the entire unaccounted cash sales were in respect of facilitation-based transactions only, without any supporting evidence. In fact, the figure for facilitation-based unaccounted transactions for different years was provided only by the assessee in the course of assessment. It appears that the AO had merely accepted the facilitation-based transactions identified by the assessee and the basis and correctness of segregating such transactions was not examined by the AO. As explained by the assessee, in facilitation-based transactions the customers had directly transferred the amounts to the manufacturers or agents. Under the circumstances, there could not have been any question of mentioning “discount” and “special discount” in the invoices raised by the assessee. The Ld. CIT-DR has rightly pointed out that all the invoices in which “discounts” and “special discounts” are mentioned, represented assessee’s own unaccounted sales and did not pertain to facilitation-based transactions. Therefore, the contention of the assessee that the entire under reported cash sales were on account of facilitation-based transactions only, is rejected.

**12.** The assessee has also raised the issue of complete absence of any stock discrepancy found during the search. The Department had conducted a detailed physical verification of the stock at the assessee's premises and there was no excess stock or shortage of stock. The contention of the assessee is that had the assessee been engaged in large scale purchase and sale of goods on its own account, involving actual physical receipt and delivery of goods and corresponding receipt of sale consideration, such unaccounted trading would have inevitably left a footprint in the form of stock mismatch, either as excess stock (from unaccounted purchases) or shortage of stock (from unaccounted sales). According to assessee it didn't physically receive, hold or deliver the goods, and consequently, the cash entries in the Rojmel did not represent actual receipt of sale consideration by the assessee but were rather in the nature of tracking noting for transactions occurring directly between third party buyers and suppliers. This factual position is broadly consistent with the facilitation / intermediary model and is not easily reconcilable with a trading model. Further that the Revenue has not been able to recover or bring on record any corroborative evidence such as purchase bills, sale invoices, transport challans, delivery receipts, lorry receipts, godown records or any other documentation which would establish that the assessee actually purchased goods, took delivery thereof, and thereafter sold the same to customers and received the sale consideration in cash. In the business model where the part of the sale proceeds was being received in the cash in the form of "discount" and "special discount", there might not have been any stock discrepancy. Therefore, merely because no discrepancy in stock was found in the course of search, can't lead to a conclusion that all the sale transactions were in respect of facilitation

based transactions. Accordingly, the ground taken by the assessee in this respect is rejected.

**13.** The contention of the Ld. AR that all the entries in the seized Rojmel were merely entries recording facilitation / commission transactions on which the assessee earned commission thereon, is rejected, as the assessee has not been able to discharge the onus of proving, by way of independent, verifiable and corroborative evidence, that every single entry in the Rojmel was a pass through entry. At the same time, the contention of the Revenue that all the remaining entries in the Rojmel, barring the facilitation transactions already accepted during assessment, represented purchase and sale transactions involving actual receipt and payment of cash by the assessee on its own account, also can't be conclusively established in the absence of any purchase / sale vouchers, transport documents or delivery evidence for those transactions. Be that as it may, the precise question before us is the estimation of income on the basis of the documents and evidences found and seized in the course of search. The AO had accepted the contention of the assessee that only the real income out of unaccounted sales should be brought to tax and had accordingly applied profit rate of 20% on unaccounted cash sales and profit rate of 8% on facilitation-based unaccounted cash sales transactions. However, no reason was given by the AO as to why the profit rate of 20% and 8% was being applied in respect of the unaccounted own cash sales and unaccounted facilitation-based cash sales, respectively. Even if the estimate of profit is made, the estimate has to be based on certain parameter/yardstick and cannot be a subject matter of pure guess work. Neither the net profit as disclosed by the assessee on its accounted transactions was brought on record nor the historical and

contemporary profit of the trade was considered by the AO to justify the estimation of profits as made by him.

**14.** It is true that the profit of unaccounted transactions will be at higher margin, but such margin has to be worked out on the basis of certain yardstick. It is found that the Ld. CIT(A) had considered the net profit disclosed by the assessee on the accounted sales which varied from 0.81% to 2.33% (with average of 1.70%) for the assessment years 2020-21 to 2023-24. The turnover for the earlier years did not contain any agency-based turnover. The assessee had also supplied the financials by of one of its competitors, M/s. Madhav Pyro LLP (an unrelated 3rd party) before the Ld. CIT(A) and the net profit disclosed by the said concern was 1.37% in AY 2023-24 and 0.70% in AY 2024-25. Similarly, the net profit percentage of Bahucharkrupa Trading Co. (sister concern) varied from 0.46% to 3.40% (average 1.67%) and in the case of Ambica Trading Co. (also sister concern) this percentage varied from 2.16% to 3.47% (average of 2.83%). In the case of M/s. Ambica Tradelink, the NP was found to be was around 1% of turnover. On the basis of these comparative data, the Ld. CIT(A) had estimated NP of the assessee at 5% in respect of unaccounted own transactions of the assessee, which was almost 3 times of average NP of 1.7% for accounted transactions. For the agency-based facilitation unaccounted transactions, there was no comparable data and the Ld. CIT(A) had estimated the net profit of 2% on such transactions considering the fact that the average profit rate of the assessee was 1.6%.

**15.** We have given our careful thought to the estimations of profit made by the AO as well as by the Ld. CIT(A). The estimation of the AO was rightly rejected by the Ld. CIT(A), as no basis at all was given for the net

profits as estimated by him. The Ld. CIT(A), on the other hand, had considered the net profit of the disclosed transactions of the assessee as well as the net profit of the other concerns engaged in identical trade. One of the relevant factors, which has a bearing on the net profit and was required to be considered, was the turnover. As per normal trend, the net profit margin normally declines, if the turnover is high. In the case of Bahucharkrupa Trading Co., Ambica Trading Co. and Ambica Tradelink, the turnover was much less as compared to assessee and Madhav Pyro LLP. Therefore, the net profit of Bahucharkrupa Trading Co., Ambica Trading Co. and Ambica Tradelink couldn't have been considered as a comparable case. The average net profit of the assessee for its disclosed transaction was 1.70% whereas the net profit disclosed by the M/s. Madhav Pyro LLP, with almost identical turnover, was much less. Considering the fact that the assessee had disclosed average net profit of only 1.70% on its disclosed transactions, the estimation of net profit of 5% on the undisclosed transactions of the assessee, is found to be higher. It is true that the net profit margin of the undisclosed transactions will certainly be higher than the disclosed transactions. At the same time, estimation of net profit of undisclosed transactions at the rate of 300% of the net profit of the disclosed transactions is found to be unreasonable and quite high. In our considered opinion, it would meet the end of justice if the net profit of undisclosed transactions is worked out by applying net profit rate of 4%. Accordingly, **the AO is directed to work out the profit out of the undisclosed transactions of the assessee by applying the average net profit rate of 4%.**

16. For the unaccounted facilitation-based transactions, the Ld. CIT(A) had estimated net profit of 2% for the reason that the assessee would have earned certainly more than its disclosed net profit margin. As already discussed earlier, for the agency-based facilitation transactions, there was no comparable data. For executing agency based transactions the role of the assessee is like a middleman as the goods are sent directly by the manufacture to the buyer and the payment is made in reverse manner. The assessee earns only commission on such transactions. The risk involved in such transactions is much less for the assessee. Therefore, the premise that assessee would have earned commission income in such transactions at a rate higher than its own net profit margin, is found to be fallacious. Rather, the assessee would have agreed for a commission margin of less than its own profit margin for such transactions, considering the lesser effort and risk involved in facilitation-based transactions. Therefore, **we deem it proper to reduce the estimation of net profit for facilitation-based transactions to 1.5%.** The AO should work out the profit of the undisclosed facilitation-based transactions of the assessee by applying the net profit rate of 1.5%.

17. Thus, **the grounds taken by the Revenue** on the issue of estimation of net profit rate for unaccounted cash sales and unaccounted facilitation-based cash sales transactions **are dismissed** while the **grounds of the assessee** in this respect are **partly allowed**. Accordingly, the appeal of the Revenue is dismissed while the appeal of the assessee is partly allowed.

**ITA No. 2351, 2352 & 2353/Ahd/2025 (Assessee) and ITA No. 2248, 2284 & 2285/Ahd/2025 (Revenue)**

18. The grounds taken by the assessee in ITA No. 2351, 2352 & 2353/Ahd/2025 for A.Ys. 2021-22, 2022-23 & 2023-24 are identical to the grounds as taken in ITA No. 2350/Ahd/2025 for the A.Y. 2020-21. Similarly, the grounds taken by the Revenue in ITA No. 2248, 2284 & 2285/Ahd/2025 for A.Ys. 2021-22, 2022-23 & 2023-24 are identical to the grounds as taken in ITA No. 2247/Ahd/2025 for the A.Y. 2020-21. Therefore, the decision as taken in ITA Nos. 2350/Ahd/2025 & 2247/Ahd/2025 for the A.Y. 2021-21 is applicable mutatis mutandis to all these appeals for the A.Ys. 2021-22, 2022-23 & 2023-24. The AO should work out the profit of the undisclosed own transactions of the assessee and the undisclosed facilitation-based transactions of the assessee by applying the net profit rate of 4% and 1.5% respectively, for all these years. Accordingly, the appeals of the Revenue are dismissed while the appeals of the assessee are partly allowed.

**Ambica Trading Co.**

**ITA No. 2354/Ahd/2025: AY 2020-21**

19. The facts involved in the present case are identical to the facts as discussed in the case of Ambica Ashish Trade Link LLP. M/s. Ambica Trading Co. (ATC) and M/s. Bahucharkrupa Trading Co. (BTC) are controlled and managed by Shri Bhargav P Modi and Shri Bhavin Jyantilal Khajanchi and both these companies were covered in the search operation conducted on 16.11.2023. The AO has discussed the seized documents pertaining to these companies in great detail in the assessment order. The assessee was using an accounting software by

the named FAS, which is a DOS based application software for billig, handling stock, invoicing, printing, etc. After analyzing the invoices found in the course of search and the statement of the employees, the AO had highlighted that “discount” and “special discount” offered by the assessee were cash components received by the assessee. The AO has discussed in detail generation of cash through such discounts. The evidences in the form of handwritten slips, handwritten daybook (Rojmel), FAS software, MITI software and Tally software were identical to those as discussed earlier in the case of Ambica Ashish Trade Link LLP. In the present case MITI software database contained holistic data in respect of ascertaining the quantum of unaccounted transactions. After analyzing the acronyms used in MITI software and the method of quantification, the AO identified unaccounted sales, unaccounted purchases, unaccounted expenses, unaccounted capital and unaccounted investments. **In the present case, MITI account was a consolidated parallel book of both ATC and BTC, and it was not possible to segregate the cash receipts or cash payments in MITI account entity wise.** The other difference in the accounting pattern of this sub-group was that MITI software was used as a basis for calculation of unaccounted transactions in the present group as compared to Rojmel account in the Ashish Khajanchi sub-group, as MITI software comprised of transactions of larger period.

**20.** On the basis of comparison of “Net cash receipt as per MITI account of sales” and the “Net cash receipts as per Audited Tally account of sales”, the AO had worked out the “Under-reported Sales” for different years, which is detailed at page number 123 of the assessment order. Similarly, the year wise details of unaccounted purchases were also worked

out. When confronted with these data, the assessee had taken a plea that only the profit arising out of unaccounted sales should be brought to tax, which was duly considered by the Assessing Officer. It was also contended by the assessee that out of total unaccounted sales of Rs. 54,04,25,651/- for different years, sales amounting to Rs. 5,56,36,732/- were made through banking channels, which were accounted for in the books of accounts. The AO had analyzed the unaccounted cash purchases and unaccounted cash sales for different years and it was found that there was no data or inadequate data of unaccounted cash purchase for A.Y. 2020-21 and 2021-22. Similarly, the unaccounted cash sale was lower in comparison to the unaccounted cash purchase for A.Y. 2022-23. The AO had, therefore, worked-out the unaccounted cash sales of Rs. 52,20,60,022/- for different years by considering the higher figure of unaccounted sales and unaccounted purchases, as under:

Financial Year	Assessment Year	Unaccounted Cash Sales
2019-20	2020-21	2,67,20,874
2020-21	2021-22	3,45,65,718
2021-22	2022-23	<b>12,27,92,322</b>
2022-23	2023-24	21,45,86,429
2023-24	2024-25	12,33,97,679
	Total	<b>52,20,63,022</b>

**21.** The AO had accepted the principle of real income theory and worked out the profit out of unaccounted sales by applying net profit rate of 20%. **The profit so worked out was for the entire Bhavin Khajanchi sub-group was apportioned between the two entities viz. Ambica Trading Co. and Bahucharkrupa Trading Co. at the rate of 50% each.** In other words, the AO had allocated 50% of the unaccounted sales and corresponding purchases and expenses to both the entities. For example, the profit for A.Y. 2020-21 was worked out at Rs. 53,44,175/- by applying net profit rate of 20% on the unaccounted cash sales of Rs. 2,67,20,874/-. This profit of Rs. 53,44,175/- was considered 50% in the hands of ATC and balance 50% in the hands of BTC. Accordingly, addition of Rs. 26,72,087/- was made in the hands of the assessee on account of profit on unaccounted cash sales. The net profit rate of 20% as adopted by the AO was reduced to 5% by the Ld. CIT(A) in the first appeal.

**22.** The assessee is now in second appeal before us. The grounds taken by the assessee in this appeal are as under:

1. *In law and in the facts and circumstances of the case of the appellant, the order passed by the Ld. AO is bad in law and deserves to be quashed.*
2. *In law and in the facts and circumstances of the case of the appellant, the Ld. CIT(A) has grossly erred in holding that appellant has earned unaccounted profit 5% on alleged unaccounted sales when no such addition is required to be made. The Ld. CIT(A) failed to appreciate that loose material found during the course of search does not establish that appellant has in fact carried out such unaccounted sales as alleged by the AO.*
3. *Without prejudice to the above, in law and in the facts and circumstances of the case of the appellant, the Ld. CIT(A) has grossly erred in estimating/confirming the net profit on alleged unaccounted sales @5%, which is nearly three times the average net profit reflected in both the appellant's and its competitor's books of account, which is without any basis and there is no justification for such a disproportionate estimation*

4. *In law and in the facts and circumstances of the case of the appellant, the Ld. CIT(A) has grossly erred in sustaining the addition of net profit on alleged unaccounted sales despite no unaccounted stock being found during the search, which clearly indicates that the in any case, entire alleged transactions are in the nature of agency-based facilitation and not actual unaccounted sales of the appellant*
5. *The appellant craves leave to add, alter or amend and/or withdraw any ground or grounds of appeal either before or during the course of hearing of the appeal.*

**23.** All the grounds taken by the assessee pertain to estimation of net profit on the unaccounted cash sales. As mentioned earlier, the net profit rate of 20% as adopted by the AO was reduced to 5% by the Ld. CIT(A), against which the assessee is in appeal. The arguments taken by the Ld. AR as well as by the Ld. CIT-Dr in the present case were identical as in the case of Ambica Ashish Trade Link LLP.

**24.** We have considered the rival submissions and also carefully gone through the material and evidences on record. The contention of the assessee that the documents seized in the course of search were dumb documents has been dealt by the Ld. CIT(A) in great detail. The assessee has been unable to controvert the findings of Ld. CIT(A) on this issue as well as on the issue of affidavits of retraction, rejection of books of account and estimation of turnover. We, therefore, do not find any reason to interfere with the order of Ld. CIT(A) on these issues.

**25.** The only real grievance of the assessee is against estimation of net profit in respect of unaccounted cash sales transactions. The AO had considered the unaccounted sales quantified as per MITI account as the turnover of the assessee for all the years, except for A.Y. 2022-23, wherein the quantum of purchase being high was considered as turnover for estimation of taxable income. According to the assessee, the

estimation of net profit at the rate of 5%, as upheld by the Ld. CIT(A), was too high. The assessee had presented the book results from which the Ld. CIT(A) had noted that the net profit of ATC was in the range of 2.16% to 3.47% (average 2.83%). For BTC the net profit range was from 0.46% to 3.10% (average 1.67%). The Ld. CIT(A) had also considered the net profit of a third party, M/s. Madhav Pyro LLP and that of M/s. Ambica Ashish Trade Link LLP. After taking into account these comparative net profit data, the Ld. CIT(A) had estimated the net profit of 5% in respect of unaccounted cash transactions of the assessee, to be applied in all the years. According to Ld. CIT(A), the net profit of 5% adopted by him was substantially higher than the average net profit of 2.83% of the assessee in respect of its disclosed transactions.

**26.** As already discussed earlier, the unaccounted cash receipts & payments appearing in MITI account was common for ATC & BTC and it was not feasible to apportion the unaccounted sales between the two concerns on any rational basis. Therefore, the AO had apportioned the profit arising out of the unaccounted cash sales at the rate of 50% each to ATC & BTC. Considering the common nature of cash sales transactions in the present case, it will be reasonable to consider the weighted average of net profit disclosed by ATC & BTC in respect of their disclosed transactions. The weighted average of the net profits of the two concerns will be a better yardstick to consider in the present case. As per the finding given by the Ld. CIT(A), the average net profit of ATC was 2.83%, whereas the average net profit of BTC 1.67%. In place of comparing the net profit of the two concerns separately, it will be reasonable to take **the weighted average of the net profit to the two concerns, which works out to 2.25%**. When compared with this

yardstick, the net profit of 5% as adopted by the Ld. CIT(A) is found to be higher. We, therefore, deem it proper to reduce the net profit to be applied to the unaccounted cash transactions to both Ambica Trading Co. and Bahucharkrupa Trading Co. to 4%, following the decision taken in the case of Ambica Ashish Trade Link LLP, which will meet the end of justice. Accordingly, **the AO is directed to work out the income from unaccounted cash sales of the assessee by applying net profit rate of 4%.** In the result, the appeal of the assessee is partly allowed.

**ITA No. 2355, 2356, 2357 & 2358/Ahd/2025 (Ambica Trading Co),**

**And,**

**ITA No. : 2359, 2360, 2361, 2362 & 2363/Ahd/2025 (Bahucharkrupa Trading Co)**

**27.** The grounds taken by Ambica Trading Co. in ITA No. 2355, 2356, 2357 & 2358/Ahd/2025 for A.Ys. 2021-22 to 2024-25 and by Bahucharkrupa Trading Co. in ITA No. 2359, 2360, 2361, 2362 & 2363/Ahd/2025 for A.Ys. 2020-21 to 2024-25 are identical to the grounds as taken in ITA No. 2354/Ahd/2025 for the A.Y. 2020-21. Therefore, the decision as taken in ITA No. 2354/Ahd/2025 for the A.Y. 2021-21 is applicable mutatis mutandis to all these appeals as well. Accordingly, the AO is directed **to work out the profit of the undisclosed transactions of the assessee by applying the net profit rate of 4% for all these years.** All the appeals of the assessee are thus partly allowed.

28. In the final result, all the appeals of the three assesseees are partly allowed whereas all the appeals of the Revenue are dismissed.

**Order pronounced in the Court on 27/03/2026 at Ahmedabad.**

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

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

**Dated- 27<sup>th</sup> March, 2026**

*Neelesh, Sr. PS*

*(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.

**आदेशानुसार/BY ORDER,**

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