

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

**BEFORE: SHRI AMIT SHUKLA, JUDICIAL MEMBER
&
SHRI MAKARAND VASANT MAHADEOKAR,
ACCOUNTANT MEMBER**

**ITA No.8902/Mum/2025
(Assessment Year :2012-13)**

&

**ITA No.7362/Mum/2025
(Assessment Year :2013-14)**

Rajdhani Textiles Private Limited (Since Disha Infra Consultants Pvt. Ltd. Has been merged with Rajdhani Textiles Private Limited) 702, 7 th Floor Samudra Setu Near Parsi Agiary Opp. Anand Bhavan Opp. B.D. Desai Mumbai- 400 026	Vs.	ACIT, Circle 5(1)(2), Mumbai
PAN/GIR No.AABCR1737R		
(Appellant)	..	(Respondent)

Assessee by	Shri Sanjay Kapadia
Revenue by	Shri Umashankar Prasad (CIT DR)
Date of Hearing	06/04/2026
Date of Pronouncement	21/04/2026

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

These two appeals by the assessee are directed against separate orders both dated 22.09.2025 passed by the learned Commissioner of Income Tax (Appeals), NFAC, Delhi, arising from assessments framed under section 143(3) read with section 147 of the Income Tax Act, 1961 for assessment years 2012-13 and 2013-14. Since the issue involved in both the years springs from the same set of transactions, the same source of information, the same lenders, and substantially identical reasoning adopted by the Assessing Officer and affirmed by the learned CIT(A), both the appeals were heard together and are being disposed of by this consolidated order. However, for the sake of convenience, the facts for assessment year 2012-13 are being discussed first, and the conclusion therefrom shall, save and except for variation in figures, govern assessment year 2013-14 as well.

2. In assessment year 2012-13, the assessee has challenged the addition of Rs. 5,57,26,977 made under section 68 and the further disallowance/addition of Rs. 23,98,706 representing interest payable on the loan from Shri Mahendra Gumanmal Lodha. In assessment year 2013-14, the assessee has challenged addition of Rs. 10,45,65,000 made under section 68. The controversy, in essence, is whether the

unsecured loans received by the assessee from Shri Mahendra Gumanmal Lodha and M/s Dhawalgiri Properties Pvt. Ltd. could be treated as unexplained cash credits merely on the strength of information received from the Investigation Wing, Ahmedabad and on certain inferences drawn by the Assessing Officer from the balance sheets of the said parties, despite the assessee having placed on record confirmations, tax returns, bank statements, assessment orders, ledger accounts and other documentary materials in support of the loans.

3. The brief facts are that the assessments were reopened on the basis of information received from the Investigation Wing, Ahmedabad alleging doubtful creditworthiness of Shri Mahendra Gumanmal Lodha, who is one of the directors of the assessee company, and of M/s Dhawalgiri Properties Pvt. Ltd., a group concern. The Assessing Officer proceeded on the premise that the assessee had received unsecured loans from these two parties and that the source and genuineness of such borrowings were not satisfactorily established. In the reassessment proceedings, the Assessing Officer tabulated the unsecured loans appearing in the books of the assessee and noted that during the year relevant to assessment year 2012-13 the assessee had shown unsecured loans of Rs. 15,51,34,134 as against the preceding year's balance of Rs. 24,15,70,588.

4. The assessment order for assessment year 2012-13 sets out a detailed chart of unsecured loans as under:-

AY 2012-13

Name of the Person	PAN	Opening Balance	Fresh loan received during the year	Lumi irpmu during the year	Interest paid/payable for the year	Closing balance
M/s Dhawalgiri	AABCD1111D	10,10,19,022	1,50,52,977	11,60,72,000	-	0
Mr. Lodha	ABAPL8836C	14,05,01,566	4,06,74,000	7,30,90,475	23,98,706	11,02,43,926
Total Additions u/s 68		-	5,57,26,977	-	23,98,706	-

AY 2013-14

Name of the Person	PAN	Opening Balance	Fresh loan received during the year	Loan repaid during the year	Interest paid/payable for the year	Closing balance
M/s Dhawalgiri	AABCD1111D	0	10,29,85,000	10,29,85,000	0	0
Mr. Lodha	ABAPL8836C	11,02,43,926	15,80,000	11,18,23,926	0	0
Total Additions u/s 68		-	10,45,65,000	-	-	-

4.1. From the tabulation, it is seen that in the case of M/s Dhawalgiri Properties Pvt. Ltd., the opening balance was Rs. 10,10,19,022, fresh loans received during the year amounted to Rs. 1,50,52,977, loans repaid during the year were Rs. 11,60,72,000, and the closing balance stood at nil. In the case of Shri Mahendra Lodha, the opening balance was Rs. 14,05,01,566, fresh loans received during the year were Rs. 4,06,74,000, loans repaid during the year were Rs. 7,30,90,475, interest including TDS paid/payable for the year was Rs. 23,98,706, and the closing balance stood at Rs. 11,02,43,926. On this basis, the Assessing Officer concluded that fresh borrowings during the year from these two parties

aggregated to Rs. 5,57,26,977 and called upon the assessee to explain why the same should not be treated as unexplained cash credit under section 68 and why the interest thereon should not be disallowed.

5. The show cause issued by the Assessing Officer specifically required the assessee to furnish the details of unsecured loans and further to produce Shri Mahendra Gumanmal Lodha along with his books of account, bank statements, and documentary evidence for all transactions undertaken by him during the relevant previous year. The assessee was also asked to explain the nature of his business or profession, the nature of his transactions with the assessee company and with other companies which had advanced loans to the assessee, the list of bank accounts operated by him, and the source of credits appearing in those bank accounts. Thus, the line of inquiry adopted by the Assessing Officer was not based on any cash found with the assessee nor on any seized material showing accommodation entries in the hands of the assessee, but rather on the financial standing and fund trail of the two lenders, particularly Shri Lodha and M/s Dhawalgiri.

6. In response, the assessee furnished detailed submissions. The record shows that the assessee had filed a complete set of return of income of Shri Mahendra Lodha for assessment year

2012-13 filed on 29.09.2012 declaring total income of Rs. 4,64,47,470; bank statements of Shri Mahendra Lodha with Axis Bank and Standard Chartered Bank; party-wise summary of credits in his bank accounts; assessment order passed under section 143(3) on 05.12.2015 in the case of Shri Mahendra Gumanmal Lodha by the ACIT, Circle 5(2), Ahmedabad; and his ledger account as appearing in the books of the assessee company for the relevant period. The assessee also maintained that the amounts were received through account payee cheques, that interest had been paid or provided thereon after deducting tax at source, that Shri Lodha is a senior Chartered Accountant carrying on consultancy, finance and investment activities, that his books are audited under section 44AB, and that he has been assessed to income tax for several decades. The assessee also emphasized that no adverse evidence, no statement, and no material suggesting accommodation entries or introduction of unaccounted money had been brought on record.

7. The assessee's stand before the Assessing Officer was that once the identity of the creditor, the genuineness of the transactions through banking channels, and the tax particulars and assessments of the creditors had been furnished, the primary onus stood discharged. It was further contended that the Assessing Officer had neither rejected the books of account nor pointed out any defect in the

confirmations, ledger accounts, bank statements or income tax records placed on record. The assessee also explained the internal movement of funds through a pictorial presentation and supporting bank statements to demonstrate that the loans were part of disclosed fund flows and not any sham introduction of the assessee's own undisclosed money.

8. The Assessing Officer, however, was not impressed. He proceeded to analyze the balance sheet of Shri Mahendra Lodha and noted that as on 31.03.2012 his capital stood at Rs. 10,61,16,254 and that he had made borrowings in the nature of unsecured loans to the tune of Rs. 42,12,60,642, which according to the Assessing Officer was nearly four times his capital. He further noticed that out of such borrowings, a sum of Rs. 13,41,68,529 had itself been borrowed from M/s Dhawalgiri Properties Pvt. Ltd. It was then inferred that these capital and borrowed funds were shown as utilized for making investments in shares of various companies, partnership firms, PPF and LIC aggregating to Rs. 6,25,81,820, and for extending loans and advances to the extent of Rs. 46,35,20,313. The Assessing Officer further noted that the capital account of Shri Lodha for the year under consideration included profit of Rs. 6,93,97,788 earned during the year as against the opening balance of Rs. 3,75,20,416, and that the returned income disclosed by him was Rs. 4,64,47,470 comprising mainly interest income of Rs.

6,05,29,422. From these facts, the Assessing Officer drew an adverse inference that despite utilizing huge borrowings for onward lending, Shri Lodha had himself not paid any interest to his own creditors, and therefore his financial affairs lacked commercial credibility.

9. The Assessing Officer then turned to M/s Dhawalgiri Properties Pvt. Ltd. and analyzed its balance sheet as on 31.03.2012. He observed that the said company had share capital of Rs. 1,00,000, share application money of Rs. 13,00,000, negative reserves and surplus of Rs. 10,23,64,488, short term borrowings of Rs. 52,65,35,835, trade payables of Rs. 89,06,384, and other current liabilities of Rs. 3,16,250, making total liabilities of Rs. 43,47,92,981. On the asset side, it had fixed assets of Rs. 24,930, non current investments of Rs. 4,99,200, long term loans and advances of Rs. 42,32,76,358, inventories of Rs. 1,00,99,614, cash and cash equivalents of Rs. 49,722, and short term loans and advances of Rs. 8,43,156. The profit and loss account showed other income of Rs. 48,38,511, finance cost of Rs. 31,62,510, depreciation and other expenses, and net profit of Rs. 16,20,674. From this financial profile, the Assessing Officer concluded that M/s Dhawalgiri Properties Pvt. Ltd. had no worth of its own to qualify as a genuine loan creditor and that the loans extended by it either directly to the assessee in the earlier year or to Shri Mahendra Lodha out of non interest

bearing funds borrowed from other companies did not inspire confidence. This can be summarized in the following manner:-

Particulars	As at 31-03-2013	As at 31-03-2012	As at 31-03-2011
Equities & Liabilities			
Share capital	1,00,000	1,00,000	1,00,000
Share Application Money	13,00,000	13,00,000	13,00,000
Reserves & Surplus	(-) 10,06,86,345	(-) 10,23,64,488	(-) 10,35,65,163
Short Term Borrowings	46,71,57,970	52,65,35,835	62,21,43,920
Trade Payables	15,200	89,06,384	2,22,200
Other Current Liabilities	1,24,594	3,16,250	2,47,258
Total	36,80,11,419	43,47,92,981	52,04,48,215
Assets			
Fixed Assets	18,692	24,930	31,168
Non-current	44,99,200	4,99,200	4,99,200
Long term Loans and Advances	35,27,54,758	42,32,76,358	48,74,77,997
Inventories	1,00,99,614	1,00,99,614	1,00,99,614
Cash & equivalents	72,926	49,722	2,15,15,078
Short-term loans and advances	5,66,228	8,43,156	8,25,158
Total	36,80,11,419	43,47,92,981	52,04,48,215

Particulars	Ended at 31-03-2013	Ended at 31-03-2012	Ended at 31-03-2011
Other income	35,56,824	48,38,511	49,45,385
Finance cost	(-) 12,53,263	(-) 31,62,510	(-) 22,22,584
Depreciation & Other expenses	(-) 29,418	(-) 55,327	(-) 13,20,249
Net Profit	12,82,681	16,20,674	14,02,552

10. The Assessing Officer thereafter travelled even further and observed that the assessee company was one of the shareholders of M/s Dhawalgiri Properties Pvt. Ltd. holding 990 shares, being 9.90 per cent, and that M/s Dhawalgiri had in the preceding year as well as in the year under consideration extended non interest bearing loans to Shri Mahendra Lodha and to the assessee company. He thus inferred that the main source of loan to the assessee, directly as well as indirectly, was M/s Dhawalgiri Properties Pvt. Ltd. and that once there was, according to him, unexplained weakness in the creditworthiness of the main lender, the identity of the real creditor had itself not been proved, let alone the creditworthiness and genuineness of the transactions. The Assessing Officer also went to the extent of observing that because M/s Dhawalgiri Properties Pvt. Ltd. was subsequently amalgamated with the assessee with effect from 01.04.2013, such amalgamation must have been resorted to for covering up non genuine loan transactions between the two concerns and Shri Mahendra Lodha. On this chain of reasoning, he held that the assessee had miserably

failed to discharge its primary onus, and accordingly treated the fresh loans received during the year from M/s Dhawalgiri Properties Pvt. Ltd. of Rs. 1,50,52,977 and from Shri Mahendra Lodha of Rs. 4,06,74,000 as unexplained cash credit under section 68. Correspondingly, he also disallowed the interest of Rs. 23,98,706 claimed or provided on the loan taken from Shri Lodha.

11. The same pattern broadly permeates the assessment for assessment year 2013-14 as well. In that year, the Assessing Officer observed that in the case of M/s Dhawalgiri Properties Pvt. Ltd., the opening balance was nil, fresh loan received during the year was Rs. 10,29,85,000, the same was repaid during the year, and the closing balance was nil. In the case of Shri Mahendra Lodha, the opening balance was Rs. 11,02,43,926, fresh loan received during the year was Rs. 15,80,000, loans repaid during the year were Rs. 11,18,23,926, and the closing balance was nil. The addition made under section 68 for that year aggregated to Rs. 10,45,65,000. The rationale, again, was not founded on any direct material showing that the money belonged to the assessee, but on the same adverse view taken regarding the financial profile and creditworthiness of Shri Lodha and M/s Dhawalgiri.

12. When the matter travelled before the learned CIT(A), the assessee reiterated all these factual and legal submissions and once again relied upon confirmations, returns, bank accounts, assessment records, ledger extracts, TDS details and the complete trail of fund movements. However, from a perusal of the impugned appellate order, it is manifest that the learned CIT(A) has merely affirmed the order of the Assessing Officer without carrying out any independent examination of the documentary evidence and without recording any clear, issue wise reasoning as to how the assessee had failed on any of the three ingredients of section 68, namely identity, genuineness or creditworthiness. The appellate order, in substance, only echoes the assessment order, but does not undertake the adjudicatory exercise expected from the first appellate authority. There is no proper discussion as to why the bank statements, returns of income, completed assessment of Shri Lodha, confirmations, and the repayment pattern do not establish a prima facie discharge of onus by the assessee. Such cryptic affirmation, devoid of proper analytical reasoning, cannot be accorded much persuasive weight.

13. Before us, the learned counsel for the assessee submitted that the entire addition is fundamentally misconceived. He pointed out that the assessee had disclosed the loans in its books, that the opening balances were accepted in the earlier

years, that the fresh amounts received during the years were through account payee cheques, and that substantial repayments had also been made during the very same year. It was submitted that in assessment year 2012-13, from M/s Dhawalgiri Properties Pvt. Ltd. the assessee received only Rs. 1,50,52,977 during the year but repaid Rs. 11,60,72,000, resulting in nil closing balance; and from Shri Mahendra Lodha, the assessee received Rs. 4,06,74,000, repaid Rs. 7,30,90,475, and carried closing balance of Rs. 11,02,43,926. Likewise, in assessment year 2013-14, the amount of Rs. 10,29,85,000 received from M/s Dhawalgiri was fully repaid in the same year, and the old balance outstanding in Shri Lodha's account was also largely squared up. According to him, such running account transactions through banking channels and accompanied by corresponding repayments cannot be brushed aside as unexplained cash credits merely because the Assessing Officer harboured doubts about the lenders' financial structure.

14. The learned counsel further submitted that the Assessing Officer has not found a single piece of evidence to show that the impugned credits emanated from the assessee itself or that the monies introduced were the assessee's unaccounted funds routed back in the garb of loans. He submitted that there is no statement of any entry operator, no cash trail, no incriminating material, no seized document, and no

contradiction in the books of the assessee. The entire case of the Revenue rests on suspicion generated from the balance sheet figures of Shri Lodha and M/s Dhawalgiri, and on an assumption that because the creditors themselves had borrowings or weak reserves, their advances to the assessee must be non genuine. Such an approach, he submitted, reverses the settled principle that once the assessee furnishes primary evidence establishing the transaction, the burden shifts to the Revenue to rebut the same with cogent material and not with conjecture.

15. The learned Departmental Representative, per contra, relied upon the orders of the lower authorities. According to him, the Assessing Officer had made a detailed examination of the balance sheets and capital structure of Shri Lodha and M/s Dhawalgiri and had discovered inherent weakness in their capacity to advance genuine loans. He submitted that Shri Lodha's lending activity was funded substantially out of borrowed funds, that M/s Dhawalgiri itself was financially weak and heavily dependent on short term borrowings, and that therefore the Assessing Officer was justified in lifting the veil and in concluding that the assessee had not satisfactorily proved the genuine nature and real source of the credits.

16. We have considered the rival submissions and carefully gone through the material on record. Upon a comprehensive

consideration of the entire factual matrix, what strikes us at the very threshold is that the approach adopted by the Assessing Officer, and mechanically affirmed by the learned CIT(A), proceeds more on suspicion built around the financial architecture of the lenders than on any substantive material demonstrating falsity in the assessee's explanation. There is an unmistakable distinction in law between a case where the Assessing Officer entertains doubt and therefore undertakes deeper inquiry, and a case where such doubt is ultimately translated into an addition under section 68. The former is permissible and often necessary; the latter can be sustained only when the Revenue is able to bring on record tangible and cogent material to show that the credits appearing in the assessee's books are not what they purport to be. In the present case, the assessment order is undoubtedly elaborate in its numerical and inferential analysis of the finances of Shri Mahendra Gumanmal Lodha and M/s Dhawalgiri Properties Pvt. Ltd., but despite that elaborate exercise, the crucial connecting link is missing, namely, any direct or even circumstantially compelling material to establish that the monies received by the assessee through banking channels represented its own undisclosed income introduced in the guise of loans.

17. The settled legal framework under section 68 requires the assessee to establish, at the threshold, the identity of the

creditor, the genuineness of the transaction, and the prima facie creditworthiness of the creditor. Once material is furnished in support of these ingredients, the initial burden cast upon the assessee stands discharged, whereafter the burden shifts to the Revenue to rebut the evidences by proper inquiry and on the strength of relevant material. The law does not contemplate that documentary evidence can be pushed aside merely because the Assessing Officer harbours a strong suspicion as to the commercial soundness of the lender's affairs. Nor does the section permit an addition to be made simply because, in the opinion of the Assessing Officer, the lender's financial statements disclose leverage, borrowings, negative reserves, or a structure which appears commercially unusual. Suspicion, however grave, can justify investigation; it cannot, without more, justify conclusion. A quasi judicial satisfaction must ultimately rest upon evidence, not on surmise, and the deeper one enters the realm of inference, the stronger must be the foundational facts supporting such inference. That discipline, in our considered opinion, is absent here.

18. In so far as identity is concerned, there is hardly any dispute at all. Shri Mahendra Gumanmal Lodha is not an unknown or unverifiable person. He is admittedly a director of the assessee company; his PAN was on record; his return of income for the relevant year declaring substantial income was

furnished; his bank statements were placed before the Assessing Officer; and even his scrutiny assessment completed under section 143(3) by the ACIT, Circle 5(2), Ahmedabad, was made available. Likewise, M/s Dhawalgiri Properties Pvt. Ltd. is a disclosed corporate entity whose PAN, balance sheet, profit and loss account, and shareholding nexus with the assessee stood admitted and examined by the Assessing Officer himself. Thus, the first limb of section 68 stood fully satisfied. Indeed, the assessment order itself does not rest on non identity of the named entities in the literal sense, but seeks to traverse beyond that by suggesting that the “real creditor” had not been proved because the funds flowing to Shri Lodha were themselves sourced from M/s Dhawalgiri. That line of reasoning, however, does not dislodge the established identity of the immediate creditors reflected in the assessee’s books; at best it raises a further inquiry into source dynamics, but even there the Revenue was required to proceed on evidence and not merely on speculative extension of the chain.

19. As regards genuineness of the transactions, the factual material again leans decisively in favour of the assessee. The amounts were received through account payee cheques and were duly reflected in the regular books of account. Ledger accounts of the creditors were furnished. Bank statements of Shri Lodha were produced. Party wise summaries of credits in

his bank accounts were submitted. Interest on the loan from Shri Lodha was accounted for, and tax was deducted at source thereon. More significantly, these were not stagnant or artificial end of year book entries created merely to inflate liabilities; they formed part of running accounts in which substantial repayments were also made during the year. In assessment year 2012-13, the assessee received Rs. 1,50,52,977 from M/s Dhawalgiri Properties Pvt. Ltd. but repaid Rs. 11,60,72,000 during the same year, resulting in nil closing balance. Likewise, from Shri Lodha, against fresh receipts of Rs. 4,06,74,000, repayments of Rs. 7,30,90,475 were made, leaving a reduced carried forward balance. In assessment year 2013-14 also, the entire fresh amount of Rs. 10,29,85,000 received from M/s Dhawalgiri was repaid during the same year itself, and the account of Shri Lodha too was substantially squared up. These are important surrounding facts which lend intrinsic credibility to the transactions. The assessment order nowhere demonstrates that the banking documents were fabricated, that the cheques were backed by cash deposited by or on behalf of the assessee, that the books were manipulated, or that any part of the documentary trail was false. In the absence of any such finding, the genuineness of the transactions cannot be negated merely because the Assessing Officer perceived the lenders' financial affairs to be commercially fragile or structurally suspect.

20. The real thrust of the assessment order is on creditworthiness, but even on that aspect we find the Revenue's case to be resting on an insufficient foundation. The Assessing Officer has meticulously referred to the capital account and borrowings of Shri Mahendra Lodha, noting that as on 31.03.2012 his capital stood at Rs. 10,61,16,254 whereas his unsecured borrowings stood at Rs. 42,12,60,642, and that out of these borrowings a sum of Rs. 13,41,68,529 was borrowed from M/s Dhawalgiri Properties Pvt. Ltd. He also noticed that Shri Lodha had made investments and had extended loans and advances to the tune of Rs. 46,35,20,313. Likewise, in the case of M/s Dhawalgiri, he noted the negative reserves, substantial short term borrowings, and relatively modest own capital. But all this, howsoever suggestive, does not, by itself, answer the statutory question in the Revenue's favour. Many financiers, investment entities, and businesspersons operate on leverage. Funds borrowed can lawfully be advanced onward. A company may have negative reserves and yet transact through disclosed banking channels from available borrowed funds. Section 68 does not require the creditor to be debt free or possessed only of owned capital. It requires the assessee to show, prima facie, that the creditor exists, that the money came through an identifiable channel, and that the transaction is not a sham. Once those elements are shown, the mere fact that the lender's own finances are

supported by borrowings does not automatically render every advance by such lender non genuine. To take the matter beyond suspicion, the Assessing Officer was required to demonstrate that the monies available with Shri Lodha or with M/s Dhawalgiri were themselves fictitious, non existent, or routed from the assessee. That decisive step is absent.

21. Equally telling is the complete absence of any direct nexus brought on record by the Revenue between the impugned credits and the assessee's own unaccounted funds. There is no statement from any entry operator. There is no evidence of cash being provided by the assessee to obtain cheques in return. There is no incriminating material unearthed in search, survey, investigation, or third party proceedings showing that these very transactions were accommodation entries. There is no finding that the source credits in the lenders' bank accounts were unexplained cash deposits or were themselves fabricated credits inserted for the purpose of passing on funds to the assessee. The entire exercise of the Assessing Officer, if carefully read, stops at the point of distrust; it never crosses into the territory of proof. Tax adjudication, especially under a deeming provision like section 68, cannot rest merely on a belief that because the financial affairs of the creditors appear convoluted, the assessee's credits must necessarily be bogus. There has to be some material from which such conclusion reasonably and

legally follows. Here, the conclusion runs ahead of the evidence.

22. We also find the observations regarding the subsequent amalgamation of M/s Dhawalgiri Properties Pvt. Ltd. with the assessee to be wholly conjectural. The assessment order proceeds to suggest that since M/s Dhawalgiri, despite what the Assessing Officer considered its poor and unreliable financial condition, stood amalgamated with the assessee with effect from 01.04.2013, the sole reason for such amalgamation must have been to cover up non genuine loan transactions between M/s Dhawalgiri, Shri Mahendra Lodha and the assessee company. Such a proposition, in our view, travels far beyond the permissible bounds of inference. A corporate amalgamation undertaken under law cannot be viewed as a suspicious event merely because, in the Assessing Officer's estimation, it coincides with inter company financial dealings. Unless some tangible material is brought on record to show that the amalgamation was a sham device or part of a fraudulent design specifically connected with the impugned credits, no such adverse conclusion can be drawn. A judicial or quasi judicial conclusion cannot be sustained on the basis of what "must have been" the motive behind an amalgamation. That is not evidence; it is speculation dressed as inference.

23. Another aspect that materially weakens the Revenue's case is that the assessee had placed on record not merely confirmations and bank statements, but also the completed scrutiny assessment of Shri Mahendra Lodha for the relevant year. It is true that assessment in the hands of the creditor does not automatically conclude the issue in the hands of the assessee, and the Assessing Officer is not estopped from examining the transaction independently. But at the same time, where the creditor is an assessed person, where he has declared substantial income, where his books are audited, where his assessment under section 143(3) stands completed, and where his bank statements and ledger accounts are furnished, the burden on the Revenue to brush aside the assessee's explanation becomes significantly heavier. In the present case, despite having all this material before him, the Assessing Officer has not demonstrated any falsity therein. The learned CIT(A), instead of curing this omission by an independent appellate appraisal, has merely echoed the conclusions of the Assessing Officer without undertaking the rigorous examination expected from the first appellate authority. There is no reasoned analysis in the appellate order as to why the evidence furnished by the assessee was insufficient; there is only a broad affirmation. Such an approach does not meet the requirement of a speaking order.

24. We are thus left with a case where the assessee has disclosed the loans in its books, furnished the identity particulars of the creditors, produced their income tax details, returns, bank statements, ledger accounts, and even a completed scrutiny assessment in the case of Shri Lodha; where the transactions are routed through banking channels; where substantial repayments have been made during the year itself; where no defect in the documentary trail has been shown; where no cash trail or accommodation entry material has been brought on record; and where the appellate authority has merely confirmed the assessment without independent reasoning. On these facts, to sustain additions under section 68 would be to invert the statutory burden and to hold, in effect, that once the Revenue entertains suspicion about the commercial structure of a creditor, documentary evidence becomes irrelevant. That is not the law. The assessee's burden is to furnish a credible explanation supported by evidence; it is not required to prove the source of source ad infinitum or to demonstrate that the creditor's balance sheet is commercially elegant and beyond every conceivable doubt. Once the primary burden stood discharged, it was for the Revenue to demolish the evidentiary edifice erected by the assessee through cogent inquiry and reliable material. Since that has not been done, the additions cannot be sustained.

25. In so far as the disallowance of Rs. 23,98,706 on account of interest payable on the loan from Shri Mahendra Gumanmal Lodha for assessment year 2012-13 is concerned, the same is entirely consequential to the main addition. The assessee had specifically pointed out that interest had been provided on the loan and tax had been deducted at source thereon. Once we hold that the underlying borrowing from Shri Lodha cannot be treated as unexplained cash credit under section 68, the very basis for disallowing the interest thereon disappears. The disallowance does not rest on any independent statutory infirmity such as failure of deduction of tax, non business purpose, or violation of any specific provision; it merely follows the Assessing Officer's conclusion that the loan itself was non genuine. That conclusion having failed, the superstructure built upon it must necessarily collapse. Accordingly, the addition/disallowance of interest also deserves to be deleted.

26. Thus, on an overall conspectus of the facts and circumstances of the case, and upon an anxious consideration of the assessment orders, the appellate orders, the documentary evidences furnished by the assessee, and the nature of reasoning adopted by the authorities below, we are of the clear and considered view that the additions have been made more on suspicion, surmise, and inferential distrust than on legally sustainable evidence. The assessee

had discharged its initial burden under section 68. The Revenue failed to rebut that explanation through cogent material. The learned CIT(A), instead of independently evaluating the matter, merely confirmed the action of the Assessing Officer without proper reasoning. In such circumstances, the addition of Rs. 5,57,26,977 made under section 68 for assessment year 2012-13 and the connected interest disallowance of Rs. 23,98,706 cannot be upheld, and the same are directed to be deleted. For the very same reasons, since the facts in assessment year 2013-14 are pari materia and the addition of Rs. 10,45,65,000 under section 68 rests on the same line of reasoning in relation to the same parties, that addition also cannot survive and is accordingly deleted.

27. In the result, both the appeals of the assessee are allowed.

Order pronounced on 21st April, 2026.

Sd/-
(MAKARAND VASANT
MAHADEOKAR)

ACCOUNTANT MEMBER

Mumbai; Dated 21/04/2026
KARUNA, *sr.ps*

Sd/-
(AMIT SHUKLA)

JUDICIAL MEMBER

Copy of the Order forwarded to :

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

BY ORDER,

//True Copy//

(Asstt. Registrar)
ITAT, Mumbai