

IN THE INCOME TAX APPELLATE TRIBUNAL
DELHI BENCHES: A : NEW DELHI
BEFORE SHRI S. RIFAUR RAHMAN, ACCOUNTANT MEMBER
AND
SHRI ANUBHAV SHARMA, JUDICIAL MEMBER

ITAs No.5233 to 5235 & 5245/Del/2023
Assessment Years: 2018-19 to 2021-22

M/s Adrem India (P) Ltd., Vs DCIT,
I-33, Lajpat nagar-II, Central Circle-20,
Amar Colony, Delhi.
New Delhi – 110 024.

PAN: AAACA5642H

(Appellant)

(Respondent)

Assessee by : Dr. Rakesh Gupta &
Shri Somil Agarwal, Advocates; &
Shri Yash Jindal, CA
Revenue by : Shri Amit Jain, CIT-DR
Date of Hearing : 08.09.2025
Date of Pronouncement : 30.10.2025

ORDER

PER ANUBHAV SHARMA, JM:

These are appeals preferred by the Assessee against the orders of the Ld.
First Appellate Authority in appeals filed before him against the orders of the ld.
Assessing Officer (hereinafter referred to as the Ld. AO, for short). Further
details of the orders of the lower authorities are as under:-

ITA No. & Assessment Year	CIT(A) [ld. FAA] who passed the order	Appeal No. & Date of order of the CIT(A)	AO who passed the assessment order & Date of order	Section of the IT Act under which the AO passed the order
5233/Del/2024 2018-19	CIT(A)- 27, New	CIT(A), Delhi - 27/10432/2017-18,	DCIT, Central Circle-20, New	147 r.w.s. 143(3)

	Delhi	Dated 09.10.2024	Delhi, dated 29.03.2023	
5234/Del/2024 2019-20	- Do	CIT(A), Delhi - 27/10861/2018-19, dated 09.10.2024	- Do -	- Do -
5235/Del/2024 2020-21	- Do -	CIT(A), Delhi - 27/10563/2019-20, dated 09.10.2024	- Do -	- Do -
5245/Del/2024 2021-22	- Do -	CIT(A), Delhi - 27/10039/2019-20, dated 09.10.2024	- Do -	- Do -

2. On hearing these appeals, it was found that they have connected issues involved and particularly, the alleged incriminating document is common and made basis for the additions. Primarily, the contentions raised were in regard to assumption of jurisdiction which the ld. counsel submitted was vitiated as the approval sought for issuing notice u/s 148 of the Act for AYs 2019-20 and 2020-21 was by a common order and a consolidated approval for multiple assessees and multiple assessment years lacks legal sanctity. The ld. counsel has draw analogy of approval granted u/s 151 of the Act with one granted u/s 153D of the Act and submitted that approval granted for AY 2019-20 and 2020-21 is mechanical. The judgement of the Hon'ble Delhi High Court in *Principal Commissioner of Income-tax v. Shiv Kumar Nayyar [2024] 163 taxmann.com 9 (Delhi)* was also relied to point out as to how the law stands settled in regard to the expectations of the courts while examining the question of approval being mechanical or not.

3. At the same time, the ld. counsel has referred to the disputed document copy of which is available at pages No.325 to 326 of the paper book and it is submitted that the document merely refers to figures in terms of approximate terms and assessee was only contemplating some sort of business in commodities along with his present business of interior decoration and, for that reason, some exercise was being done which has been made basis for making the additions. It was also submitted that in fact, no specific questions were put up with regard to this document and, even if some incriminating fact was mentioned, the same stood withdrawn by way of an affidavit of retraction.

4. This has been countered by the ld. DR by submitting that approvals granted under the Act are merely administrative in nature and after examining all the records, approvals are granted and there is a presumption of application of mind. It was submitted that even using the term 'mechanical approval' is a misnomer and unless prejudice is established, approval granted cannot be questioned more so, when objection is not raised at the time of assessment proceedings. On merits, it was submitted that the assessee himself has admitted about the sales in a statement recorded by the AO and the AO has given a calculation of how the figures have been arrived. The retraction is after a period of eight months and, in fact, not on record. It was submitted that rather the CIT(A) has not adjudicated on merits and preferably the issue should be restored to the CIT(A).

5. We have considered the rival contentions and perused the record and background to the present cases is that the assessee had filed return of income which were processed and search and seizure operation u/s 132 of the Act was conducted on 09.02.2022 and, during the search conducted on the assessee company, a handwritten note was allegedly found and seized from E-40, South City-1, Sector-40, Gurugram, Haryana. On perusal of the said note, the AO concluded that unaccounted cash receipts of the company over the years have been quantified and tabulated. In the said piece of paper details of unaccounted cash receipts were allegedly written under the heading, 'receipts in cash, which could not have been accounted for.' Accordingly, on the basis of this sheet for the years in hand, additions have been made as follows:-

Financial Year	Unaccounted Receipts (in Rs.)	Payments in cash not accounted
2014-15	25-30 lacs	
2015-16	30-35 lacs	
2016-17	7.5 lacs	
2017-18	1.25 cr.	
2018-19	1.5 cr.	
2019-20	1.5 cr.	
2020-21	1.5-2 cr.	
2021-22	2 cr.	

6. The assessee company had explained the contents of the said piece of paper submitting that they were merely rough estimates/projects pertaining to venture, but, the said business could never start. The AO rejected the books of account to the extent of unaccounted sales and made addition u/s 28 of the Act by calculating the net profit margin of 15% on unaccounted sales. Therefore, the aforesaid amounts as calculated were added to the income of the assessee which were challenged by the assessee before the Id.CIT(A). However, the assessee failed giving rise to these appeals. As for convenience we shall refer to grounds of AY 2018-19 and paperbook for same year for our further discussion.

6.1 The Grounds of appeal raised by the assessee for AY 2018-19 read as under:-

“1. That having regard to the facts and circumstances of the case, assumption of jurisdiction in initiating the proceedings u/s 147 and passing the impugned order u/s 147/143(3) and that too without complying with mandatory conditions u/s 147 to 151A as envisaged under the Income Tax Act, 1961, is bad in law and against the facts and circumstances of the case.

2. That in any case and in any view of the matter, assumption of jurisdiction u/s 147 and passing the impugned order u/s 147/143(3), is illegal, bad in law and against the facts and circumstances of the case and the same is not sustainable on legal and factual grounds.

3. That having regard to the facts and circumstances of the case, Ld. CIT(A) has erred in law and on facts in confirming the action of Ld. AO in making estimated addition of Rs.18,75,000/- (i.e. and that too @15% of Rs.1,25,00,000/-) on the basis of material allegedly found during the course of search and that too by recording incorrect facts and findings and in violation of principles of natural justice and without considering the facts and circumstances of the case and without following the procedure laid down under the Act and has further erred in confirming the action of Ld. AO in rejecting the books of accounts of the assessee company.

4. *That in any case and in any view of the matter, action of Ld. CIT(A) in confirming the action of Ld. AO in making estimated addition of Rs.18,75,000/-, is illegal, bad in law and against the facts and circumstances of the case and the same is not sustainable on legal and factual grounds.*
5. *That having regard to the facts and circumstances of the case, Ld. CIT(A) has erred in law and on facts in confirming the action of Ld. AO in rejecting the books of accounts of the assessee company and that too without any basis and without appreciating the facts and circumstances of the case.*
6. *That the appellant craves the leave to add, modify, amend or delete any of the grounds of appeal at the time of hearing and all the above grounds are without prejudice to each other."*
7. We have carefully gone through the alleged handwritten note which has also been reproduced in the assessment orders and copy of which has been provided on record by the assessee at pages No.325 to 326 of the paper book. In the assessment order itself, the AO observes that Shri Hardesh Chawla, director of the company had admitted making unaccounted cash sales in his statement recorded on oath on 09.02.2022 and 09.04.2022, however, the same has been retracted by filing an affidavit on 17.10.2022. On going through the contents of the alleged handwritten note used for making the additions, very apparently, in the document itself, the words '*approximate, projections and estimation*' have been used. The content mentions projections in the form of an act of extrapolation of income after the events and there is nothing found during the search in the form of any evidence which would show that the projections and estimations mentioned in the sheet may have resulted into any event leading to generation of income. To the contrary, the AO has relied the statement

recorded u/s 132(4) of the Act alone by holding that the same is descriptive and in comprehensive manner explained the whole modus operandi of the business operations of the assessee firm and Shri Hardesh Chawla in his statement has explained in detail the whole method of working of the assessee firm and this cannot be done by any person at the behest of other person and, thus, considering the admissions regarding the unaccounted receipts corroborated by the incriminating documents, the AO concluded that the assessee has failed to bring any evidence whatsoever to prove that, its director was indeed into the business of trading of food grains. The theory of food grain business propounded by the assessee company is nothing, but, an afterthought of the assessee and has no discernible rationale. Thus, the assessee's contentions have been found to be baseless.

8. We are of considered view that without confronting evidentiary aspect or circumstances as part of the content of alleged incriminating documents, which the AO intends to rely for drawing any inference, the statement recorded u/s 132(4) of the Act has no substantive evidentiary value to be relied by AO and more so when the documents itself is found to be ambiguous. Thus we find the conclusion drawn by the AO to be unsubstantiated by cogent evidences and Id. CIT(A) erred in endorsing the same. The respective ground in appeals challenging the additions on merits deserves to be sustained. That leaves the

legal and additional grounds academic in nature. Consequently the appeals are allowed. Impugned additions are directed to be deleted.

Order pronounced in the open court on 30.10.2025.

Sd/-

(S. RIFAUR RAHMAN)
ACCOUNTANT MEMBER

Dated: 30th October, 2025.

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Copy forwarded to:

1. Assessee
2. Respondent
3. CIT
4. CIT(A)
5. DR

Sd/-

(ANUBHAV SHARMA)
JUDICIAL MEMBER

Asstt. Registrar, ITAT, New Delhi