

**INCOME TAX APPELLATE TRIBUNAL  
DELHI BENCH "A": NEW DELHI  
BEFORE SHRI M. BALAGANESH, ACCOUNTANT MEMBER  
AND  
SHRI VIMAL KUMAR, JUDICIAL MEMBER**

ITA No. 2278/Del/2023  
(Assessment Year: 2020-21)

DCIT, Noida	Vs.	Pearl Precision Products Pvt. Ltd, B-47, NEPZ, Gautam Budh Nagar, Uttar Pradesh
(Appellant)		(Respondent)
		<b>PAN: AAKCP4075F</b>

CO 131/Del/2023  
(In ITA No. 2278/Del/2023)  
(Assessment Year: 2020-21)

Pearl Precision Products Pvt. Ltd, B-47, NEPZ, Gautam Budh Nagar, Uttar Pradesh	Vs.	DCIT, Noida
(Appellant)		(Respondent)
		<b>PAN: AAKCP4075F</b>

Assessee by :	Ms. Shivangi Mehrotra, Adv Shri Jiten Bajpai, Adv
Revenue by:	Shri Ajay Kumar Arora, Sr. DR
Date of Hearing	08/12/2025
Date of pronouncement	09/01/2026

**ORDER**

**PER M. BALAGANESH, A. M.:**

1. The appeal in ITA No. 2278/Del/2023 and CO 131/Del/2023 for AY 2020-21, arises out of the order of the Id Commissioner of Income Tax (Appeals)-3, Noida [hereinafter referred to as 'Id. CIT(A)', in short] in Appeal No. CIT(A)-III/Noida/11161/2009-10 dated 02.06.2023 against the order of assessment passed u/s 143(3) of the Income-tax Act, 1961 (hereinafter referred to as 'the Act') dated 29.09.2022 by the Assessing Officer, DCIT, Central Circle-II, Noida (hereinafter referred to as 'Id. AO').

2. Though the assessee has raised several grounds, the only effective issue to be decided in this appeal of the revenue is as to whether the Id CIT(A) was justified in deleting the addition of Rs. 1,82,87,179/- on account of alleged stock difference in the facts and circumstances of the instant case.

3. We have heard the rival submissions and perused the material available on record. The return of income for AY 2020-21 was filed by the assessee company on 15.02.2021, declaring total income of ₹21,65,37,670/-. The assessee company was incorporated on 01.03.2019 pursuant to the conversion of proprietary concern styled M/s. Pearl Precision Products to a company. The assessee company is involved in the manufacturing of cistern, seat covers, faucets, showers, sinks and household accessories. Survey action was carried out u/s 133A of the Act on 26/02/2020 at office and factory premises of the assessee situated at Noida. During the course of survey, physical stock was taken where total stock was worked out at ₹21,95,10,167/-. This was compared with the value of stock reflected in the stock register at ₹20,12,22,988. The assessee was directed to explain the difference in stock of ₹1,82,87,179/-.

4. During the course of assessment proceedings, it was submitted that the survey team took the printout of excel sheet in which rates of various items of inventory were not recorded up-to-date. It was due to this reason that excel sheet was showing value of inventory as on 25.02.2020 at ₹21,95,10,167/-, whereas the stock statement submitted was at ₹20,12,22,988/- thereby leading to a difference of ₹1,82,87,179/-. It was submitted that the assessee had dispatched goods worth ₹1.63 crores (detail of sale bills enclosed before the Id AO) during 24<sup>th</sup> and 25<sup>th</sup> February 2020, which was not reflected in the excel sheet which was

found at the time of survey. Hence, the difference of ₹1.82 crores was explained by stating that sale of ₹1.63 crores was not reflected in the excel sheet and the rates of various items of inventory reflected in the excel sheet were not up-to-date. The assessee had specifically stated before the Id AO that sales to the extent of ₹1.63 crores made on 24<sup>th</sup> and 25<sup>th</sup> February 2020, were reduced from the total inventory, but were lying in the factory area waiting for dispatch and meanwhile, the survey happened and the said stocks were also included by the survey team as a whole included in the physical inventory available as on the date of survey. Id AO did not agree with the contentions of the assessee and observed that the assessee had not furnished any evidence of dispatch and transportation of goods in respect of sale made on 24<sup>th</sup> and 25<sup>th</sup> Feb 2020. The assessee was asked to furnish confirmation from the buyer of the goods that were alleged to have sold on 24<sup>th</sup> and 25<sup>th</sup> February 2020, so as to prove the genuineness of sale of goods. The assessee furnished its reply on 23.09.2022. The reply of the assessee is reproduced in the assessment order as under:-

*“Madam, in reply to point 4 of above notice, we have to submit that since the goods are dispatched in bulk and bills to parties are individual order wise, therefore it is not possible to indicate distinguishment that in one despatch, goods to how many parties was undertaken to be delivered by the transporter. However, the reassuring fact is that good were GST paid and therefore E-way bills were being generated eliminating any possibility of transportation of goods without recording corresponding sale. To substantiate our claims, we are further providing your copy of account of such parties to whom goods were dispatched vide, sales bill details submitted with you pertaining to sales effected during 24-02-2020 and 25-02-2020. The copy of accounts clearly depicts that not only the sales bills amounting to Rs. 1.63 Crore were duly recorded in our books but it also shows that proceeds against the said sales were also duly received and accounted for in our books of accounts. We are submitting copy of ledger accounts of 10 major parties along with sale bills for your immediate confirmation and cross check.”*

5. The Id AO noted that the assessee failed to furnish e-way bills and other evidences related to transportation of goods in addition to non-

filing of confirmation from the buyer. Further, the Id AO noted that the vehicle numbers furnished by the assessee for transportation were sought to be cross-verified on test check basis with the Parivahan portal, which revealed that many of the vehicle numbers were either invalid or not shown as registered. With these observations, the Id AO proceeded to treat the differential value of stock of ₹1,82,87,179/- as unexplained and added the same to the total income of the assessee u/s 69A read with section 115BBE of the Act.

6. Before the Id CIT(A), assessee filed detailed submissions meeting out each and every averment of the Id AO and also relied on various case laws. The written submissions of the assessee are reproduced in pages 9 to 33 of the order of the Id CIT(A). It was submitted that there was no physical inventory that was taken by the survey team at the time of survey. The survey team merely took the excel sheet containing the details of inventory as on 25.02.2020 and started construing the same as physical stock. The discrepancy in the said excel sheet had already been considered herein above, which was also explained before the Id AO. The assessee submitted that it has been maintaining accounting records on real time system in which purchase and sales are recorded immediately, goods purchased are recorded through Goods received Notes (GRN) and goods sold are recorded through tax invoices issued in favour of dealers/ distributors/ customers. It was also submitted that excel sheet found at the time of survey does not even contain quantitative details of various inventory items, which itself shows that the said excel sheet was being maintained as cross check only, updated from time to time basis from accounting records and that the excel sheet was maintained was not part of accounting system and was not updated on real time basis. There was absolutely no difference in quantity of inventory that were either found

by the survey team between the physical stock and the stock reflected in the stock register. The assessee has three units Unit-I, Unit-II, and Unit-III and also has depots. The details received from three locations are shown in the excel sheet which includes depots stock of ₹1,76,31,761/-. It was submitted that the survey was conducted only in three units of the assessee and not in the depots of the assessee as they were situated outside the city. It was submitted that all the sale bills are subjected to GST and genuineness of the sale bill cannot be doubted. It was submitted that it is normal business practice that sale bills are issued, goods are transferred to dispatch section and once goods deliverable in a particular route achieve quantity of truck load they are dispatched, alternatively goods are dispatched to transporter for delivery. The sale bills given to the Id AO were also having truck nos through which the goods were dispatched. The said truck no was subject to change in cases where goods from factory to transporter are delivered through one truck no and then from transporter to destination/customers are delivered through another truck and in such cases, e-way bill is issued by the transporter as well. The assessee had furnished the complete e-way bills along with sale invoices before the Id AO which are also enclosed in pages 81 to 171 of the paper book filed before us. It was also submitted that assessee had suffered GST on all the bills and confirmed copy of accounts of maximum number of customers were provided within the period of four days before the Id AO covering 60% of value of sales. The Id CIT(A) after considering the elaborate submissions of the assessee, deleted the addition by observing as under:-

*“6.9 From the facts of the case, it has been found that addition of Rs. 1,82,87,179/- has been made u/s 69A of IT Act on account of difference in stock. Though in the assessment order, Ld. AO states that physical stock was taken during survey proceedings conducted u/s 133A of IT Act on 26.02.2020, however it has been found that no such physical stock taking was done in the survey proceedings. It is also a matter of fact that all the places of stock, like*

*depots of the assessee, were not covered in the survey proceedings. It has been found that some excel sheet was sourced and reliance was placed on the same, this excel sheet is also produced in the para 5 of Survey Report prepared in the case of M/s. Precision Products (prop. Sh. Naresh Garg). Noida date of survey 26.02.2020, but the same is not produced in the assessment order. The excel sheet on which reliance has been placed that value of stock was Rs. 21,95,10,167/- was not part of any standard books of accounts. On the top of this excel sheet, it is also mentioned that this stock situation is as on 25.02.2020, however survey was conducted on 26.02.2020. In the excel sheet under consideration only the value of stock is mentioned and no quantitative details are mentioned. Thus there is force in the submission of Ld. AR that the difference in the valuation of the stock might be due to inclusion or exclusion of GST etc.*

*It is further noteworthy that in the books of accounts, the inventory is valued on cost or market value whichever is less, therefore while comparing valuation of the stock based on any excel sheet prepared for control and management and the valuation as per books of accounts, one needs to be very cautious as to how valuation in such excel sheet has been arrived at. While making any addition, Ld. AO needs to be sure that there was actual difference in quantity of stock and for the same actual stock taking has been done during survey proceeding and then based on the excess quantity of material, conclusion has been drawn that undisclosed investment has been made in the stock. However in this case it has been found that no such actual stock taking has been done.*

*Further the addition can be made based on such excel sheets if the same are recovered in the search/ survey proceedings and it is ascertained that stock mentioned in such sheets is actual stock and the same is different from the stock booked in the books of accounts. But the excel sheet under consideration does not indicate that the same tallied with physical stock. When in the assessment proceeding, the appellant was confronted and was required to explain the difference, he explained the same that the difference was due to sale made on 24/25.02.2020. In the assessment order Ld. AO doubted such sales but her conclusions were half baked since the e-way bills of sales were not properly appreciated, neither sufficient opportunity was provided to prove the genuineness of the vehicles.*

*When the appellant was confronted during assessment proceedings to explain the difference, the reason has been explained that there was sales made on 24/25.02.2020 and the same is not given effect in the relied excel sheet and for the same evidences were furnished. However Ld. AO reached to the conclusion without giving enough opportunity to furnish e-way bills, which are standard records and can be relied to reach to a conclusion as to whether actual sale has been made or not. Moreover the conclusion of Ld. AO that the vehicles used for transportation were unregistered and not genuine has not been found correct.*

*From these facts it is clear that the conclusion of Ld. AO that there was undisclosed stock, for which the appellant has made undisclosed investment of*

*Rs. 1,82,87,179/- has not been found correct. Therefore the addition of this amount made u/s 69A of IT Act is hereby deleted. And relief is allowed to the appellant accordingly. All the grounds of appeal are adjudicated accordingly.”*

7. None of the factual findings made by the Id CIT(A) could be controverted by the revenue before us. The Id DR before us vehemently argued that excess stock was found on the date of survey in physical verification and vehicle numbers given by the assessee for transportation of goods, were taken as verified from Parivahan portal. Hence, he submitted that addition in stock difference has been rightly made by the Id AO. Before us, the Id AR drew our attention to Pages 172 to 176 of the paper book containing the e-parivahan portal and submitted that the entire e-way bills along with sale invoices were indeed provided before the Id AO, which are enclosed in pages 81 to 171 of the Paper Book. The Id AR vehemently submitted that factually there was no physical stock taking activity carried out by the survey team on the date of survey. Instead, the survey team merely impounded the excel sheet containing the inventory as on 25.02.2020, which is prior to the date of survey and construed the said excel sheet to be the physical stock found during survey. The veracity of the excel sheet and deficiencies contained thereon had already been discussed in detail hereinabove, which had been taken due cognizance by the Id CIT(A) in his finding. Hence, we are in agreement with the Id AO that no physical stock taking activity was carried out by the survey team. The books of account of the assessee are not rejected by the Id AO. There was absolutely no difference in the quantity on the date of survey. The excel sheet did not contain any quantity details at all. It is not the case of the revenue that there was some difference in quantity itself found at the time of survey.

8. In view of the aforesaid observations and in view of the elaborate factual finding given by the Id CIT(A), which remain uncontroverted by the revenue, we hold that the order of the Id CIT(A) does not warrant any interference. Accordingly, grounds raised by the revenue are dismissed.

9. Cross objection preferred by the assessee are only supportive of the order of the Id CIT(A).

10. In the result, the appeal of the revenue is dismissed and cross objection of the assessee is allowed.

Order pronounced in the open court on 09/01/2026.

-Sd/-  
**(VIMAL KUMAR)**  
**JUDICIAL MEMBER**

-Sd/-  
**(M. BALAGANESH)**  
**ACCOUNTANT MEMBER**

Dated: 09/01/2026  
A K Keot

Copy forwarded to

1. Applicant
2. Respondent
3. CIT
4. CIT (A)
5. DR:ITAT

ASSISTANT REGISTRAR  
ITAT, New Delhi