आयकर अपीलीय अधिकरण, हैदराबाद पीठ
IN THE INCOME TAX APPELLATE TRIBUNAL
Hyderabad ' DB-B ' Bench, Hyderabad

Before Shri Vijay Pal Rao, Vice-President
A N D
Shri Manjunatha, G. Accountant Member

आ.अपी.सं /**ITA Nos.1084 to 1088 & 1027/Hyd/2025**
(निर्धारण वर्ष/Assessment Years: 2014-15 to 2019-20)

M/s ACE Tyres (P) Ltd Hyderabad PAN:AADCA2210N	Vs.	ACIT Central Circle 1(2) Hyderabad
(Appellant)		(Respondent)
निर्धारिती द्वारा/Assessee by:	Shri M.V.Prasad, CA	
राजस्व द्वारा/Revenue by::	Dr. Sachin Kumar, Sr. AR	
सुनवाई की तारीख/Date of hearing:	02/09/2025	
घोषणा की तारीख/Pronouncement:	24/09/2025	

आदेश/ORDER

Per Vijay Pal Rao, Vice President

These six appeals by the assessee are directed against the six separate orders dated 29/05/2025, 30/05/2025, 04/06/2025, 096/06/2025, 17/06/2025 and 14/07/2025 of the learned CIT (A)-11, Hyderabad arising from the assessment order passed u/s 143(3) r.w.s. 147 of the Act, pursuant to the search & seizure operations u/s 132 of the Act, dated 04/01/2023 in case of Exel Group of Companies including the assessee for the A.Ys 2014-15 to 2019-20 respectively. Since common issues are raised in these group of six appeals arising from same facts and search and seizure operation, therefore, for the sake of convenience, all

these appeals were clubbed together for the purpose of hearing and adjudication. For the purpose of recording the facts, the appeal in ITA No.1084/Hyd/2025 for the A.Y 2014-15 is taken as lead case.

2. The assessee has raised identical grounds for all these six years except some extra grounds raised for the A.Y 2019-20. The grounds of appeal in ITA No.1084/Hyd/2025 are reproduced as under:

> *"1. On the facts and circumstances of the case, the Learned CIT(A) erred in both law and facts while passing the Order.*
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> *2. On the facts and circumstance of the case, Learned CIT(A) is not justified in dismissing the ground that the issue of Notice U/ s 148 by the Assessing Officer is without Jurisdiction.*
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> *3. On the facts and circumstances of the case, Learned CIT(A) is not justified in dismissing the ground that the issue of Notice u/s 148 by the Assessing Officer is bad in law as the Assessing Officer has not fulfilled the prescribed conditions laid down under Section 148 and consequently the Assessment is void ab initio.*
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> *4. On the facts and circumstances of the case, Learned CIT(A) is not justified in dismissing the ground that the notice issued u/s 148 and consequent Assessment is in valid in law as the Assessing Officer has not complied the provisions of Section 149 of the Income Tax Act.*
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> *5. On the facts and circumstances of the case, Learned CIT(A) erred in dismissing the legal grounds.*
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> *6. On the facts and circumstance of the case that the Assessment Order Passed u/s 143(3) read with Section 148 is vitiated and has become unsustainable in law since the approval u/s 148B has been accorded by Addl CIT/JCIT(Range head in a mechanical manner.*
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> *7. On the facts and circumstance of the case, sanction under Section 151 of the Act, has been granted mechanically and without satisfaction that how it fits under Section 149(1)(b)(i) and Section 149(1)(b)(ii). Accordingly*

grant of sanction is liable to be declared as nullity and invalid and resultantly, impugned notice under Section 148 is bad in law.

Modified Ground No.7

On the facts and circumstance of the case, sanction under Section 151 of the Act, has been granted mechanically and without satisfaction that how it fits under Section 149(1)(b)(i) and Section ***149(1)(b)(iii)****. Accordingly grant of sanction is liable to be declared as nullity and invalid and resultantly, impugned notice under Section 148 is bad in law.*

8. On the facts and circumstance of the case, Learned CIT(A) is not justified in sustaining the addition of Rs.7,35,052/ -.

9. Any other ground or grounds that may be urged at the time e of hearing of the appeal."

3. Facts of the case in brief are that, the assessee company is part of Exel group, was subjected to search & seizure action on 04.01.2023. The group consists of M/s Exel Rubber Private Limited, M/s Ace Tyres Private Limited and M/s vilas polymers private Limited. The assessments were done for all three companies for 10 years for each company. The main activity of the group is manufacture of Tyres and doing Job work for CEAT Limited, Apollo tyres etc. Simultaneous search proceedings were also conducted in the residential premises of Sri Sanaka Ramesh Kumar, Sr.Accounts Manager who looks after the financial and accounting matters of M/s Exel Rubber group of business concerns. During the course of Search at the residential premises of Sri Sanaka Ramesh Kumar, the department has found certain loose sheets, promissory notes and excel sheets and a Dell Lap Top which were seized. On verification of the lap top, it was found that there was FOCUS 5.5 software loaded in the lap top and

some MS excel work sheets containing details of several hundreds of transactions representing receipts and payments in cash were found recorded for several financial years. Sri Ramesh Kumar Sanka in his statement explained that the transactions recorded in the Focus 5.5 software is unaccounted receipts generated from sale of scrap, scrap of intermediate mixing products, scrap generated in packing products etc. This software also contains the expenditure incurred in cash for all the three companies put together specifically for the purpose of business. This software also includes loans given and repaid back and some Contra entries etc., Based on the unaccounted transactions the MD of the group admitted unaccounted income of Rs.107.63 crores for the three companies put together. Out of such unaccounted income, an amount of Rs.42.15 crores pertained to the appellant company. For the year under consideration i.e. A.Y 2014-15 the Appellant company admitted an amount of Rs.1.13 crores. However the Assessing Officer has made further addition of Rs.0.27 lakhs.

4. Aggrieved by the order of the Assessing Officer, the assessee preferred an appeal before Learned CIT(Appeals). During the course of appeal proceedings, the appellant company raised the legal grounds regarding validity of notice issued u/s148 without complying the conditions laid down u/s 149(1)(b) etc. Learned CIT(Appeals) has dismissed the legal grounds and adjudicated the factual grounds. Learned CIT(Appeals) has given relief of Rs.0.20 lakhs and sustained the addition of Rs.0.07 lakhs.

5. Aggrieved by the order of Learned CIT(Appeals) the assessee has filed the present appeal before the Tribunal.

6. Ground Nos. 1 & 2 are general in nature and no arguments were advanced by the learned Counsel for the assessee in support of these grounds. Therefore, no specific adjudication is required for Ground Nos. 1 & 2.

7. In ground Nos.2 to 7, the assessee has challenged the validity of initiation of re-assessment proceedings by issuing notice u/s 148 of the Act for want of fulfilment of the prescribed conditions laid down u/s 148 of the I.T. Act. The learned Counsel for the assessee has submitted that the alleged incriminating material was found from the Laptop of one Shri Ramesh Kumar Sanaka from his residential premises and therefore, the seizure of the Laptop and collecting the data marked as Annexure A/RKS/RES/01 cannot be considered as books of account or documents seized from the possession of the assessee. Therefore, the condition prescribed in clause (iv) of Explanation-2 of section 148 is not satisfied for invoking the provisions of section 148 of the Act and exercising the jurisdiction for re-assessment of the income of the assessee. The learned Counsel for the assessee has submitted that the alleged material seized during the search and relied upon by the Assessing Officer for initiation of the proceedings was found in the premises of Shri Ramesh Kumar Sanaka under a separate authorization and warrant. Therefore, the material found and seized from the third person and considered as related to the assessee than for initiation of

proceedings u/s 147/148 of the Act, the Assessing Officer was required to record the satisfaction and approval from the Pr. CIT of the Income Tax. The learned Counsel for the assessee has contended that in the case of the assessee, no such satisfaction has been recorded and no prior approval has been obtained by the Assessing Officer before issuing notice u/s 148 dated 24/11/2023.

8. The learned Counsel for the assessee has contended that it is a settled principle of law that where the power is given to do certain things in certain way, the thing has to be done in that way alone and not in other manner which is otherwise not provided in the law as held by the Hon'ble Supreme Court in the case of Chandra Kishore Jha vs. Mahaveer Prasad (1999)8 SCC 266 as well as in case of Cherrukuri Mani v. Chief Secretary, Govt. of A.P (2015) 3 SCC 722. The learned Counsel for the assessee has submitted that the Hon'ble Supreme Court has held time and again that where the law prescribe the things to be done in a particular manner following a particular procedure, it shall have to be done in the same manner following the principles of law without deviating from the prescribed procedure. He has relied upon the judgment of the Hon'ble Bombay High Court in the case of Municipal Corporation Greater Mumbai (MCGM) vs. Abhilash Lal (2019) 111 taxmann.com 405 as well as in case of Opto Circuit India Ltd vs. Axis Bank (2021) 127 Taxmann.com 290. Therefore, if law require something to be done in a particular manner, then it must be done in that manner; if it is not done in that manner then it would have no existence in the eyes law. By

following the said principles, the Hon'ble jurisdictional High Court in the case of Kankanala Ravindra Reddy vs. Income Tax Officer 156 Taxmann.com 178 has quashed the notice issued u/s 148 of the I.T. Act, because certain procedures were not followed by the Income Tax Department while issuing the notice. He has also relied upon the decision of the Bangalore Benches of the Tribunal dated 30/04/2025 in case of Dandu Jojappa Francis vs. Income Tax Officer in ITA No.2305/Bang/2024 and submitted that the Tribunal has quashed the notice issued u/s 148 as well as the order passed u/s 148A(d) as bad in law for want of approval of the specified authority as provided in section 151(ii) of the I.T. Act.

9. The learned Counsel for the assessee has pointed out that since the seized material was found from the possession of the other person than the assessee, then the Assessing Officer was required to take approval from the Pr. CIT as per clause (iv) of Explanation (2) to section 148 of the I.T. Act as well as approval from the DGIT for complying the conditions laid down in section 149(1)(b) r.w.s. 151 of the I.T. Act because the notice u/s 148 of the Act was issued beyond 3 years.

10. The next leg of the contention of the learned Counsel for the assessee is that the notice issued u/s 148 of the Act for the A.Y 20145-15 on 20/11/2023 is also barred by limitation provided u/s 149 of the Act as the time limit for issuing the notice u/s 148 is only 3 years unless the Assessing Officer has in his possession books of account or other documents or evidence which reveals the income chargeable to tax represented in the

form of an asset, expenditure in respect of transaction or in relation to an event/occasion or an entry or entries in the books of account which has escaped the assessment amounts to or is likely to amount Rs.50 lakhs or more. The Assessing Officer has undisputedly issued notice u/s 148 beyond 3 years but without satisfying the condition as laid down in clause (b) of section 149 of the I.T. Act as the alleged income is neither representing an asset nor any expenditure nor any entry or entries in the books of account. The Assessing Officer has not recorded his satisfaction in the reasons recorded for reopening of the assessment regarding fulfilling of the conditions specified u/s 149(1)(b) of the Act. The Assessing Officer has not even quantified the income escaped assessment is Rs.50 lakhs or more for each of the A.Ys taken up for initiation of proceedings u/s 147/148 of the Act. He has referred to the reasons recorded for reopening of the assessment placed at page No.9 of the Paper Book and submitted that the Assessing Officer in the reasons recorded has not pointed out which asset is constituting the income assessable to tax escaped the assessment. Further, the details of the receipts and payments as found in the laptop during the search are not the entries in the books of account and therefore, the said condition as provided u/s 149(1)(b) of the Act is also not satisfied for initiation of proceedings u/s 147/148 of the Act. In support of his contention, he has relied upon the decision of the Rajkot Bench of the Tribunal dated 10/06/2025 in the case of Mukesh Manekchand Sheth vs. Dy.CIT in ITA Nos.581, 545 to 547/RJT/2024 and submitted that the Tribunal has stated the exercise of jurisdiction u/s 147/148 of the Act in pursuant to the search & seizure action

is not meant to determine during the re-assessment as to whether an item represents an asset or an expenditure or whether it exceeds a threshold limit of Rs.50 lakhs. Such exercises is required to be carried out prior to or at the time of recording the satisfactions and reasons as well as while obtaining the requisite approvals of the specified authority. The Assessing Officer has not done this exercise before issuing notice u/s 148 of the Act, therefore, the same suffers from an inherent lack of jurisdiction which renders the notices issued u/s 148 are not sustainable in the eyes of law and void and liable to be quashed. Thus, existence of jurisdictional fact is sine qua for exercise of the powers u/s 147/148 of the Act. In the case of the assessee, the notice issued u/s 148 of the Act was beyond 3 years from the end of the A.Ys and the Assessing Officer has failed to satisfy the mandatory conditions that the seized material and other documents/evidence in the possession of the Assessing Officer revealed the income escaped the assessment represented by an asset or entries in the books of account and such income escaped assessment is in excess of Rs.50 lakhs, the reopening of the assessment is bad in law as in violation of provisions of section 148 of the Act. In support of his contention, he has relied upon the decision of the Chennai Bench of the Tribunal dated 07/07/2023 in the case of Dy. CIT vs. Shri T.V. Kumaraswamy as well as decision dated 10/07/2024 in case of Dy.CIT vs. M/s. KAG India (P) Ltd in Ita No.669/Chny/2023.

11. The next ground of challenge to the initiation of the proceedings u/s 147/148 of the Act is for want of valid sanction

u/s 151 of the Act from the specified authority. The learned Counsel for the assessee has submitted that the sanction u/s 151 is not a mere formality but it is a greater burden on the competent authority in comparison to granting the approvals. Therefore, a greater degree of analysis or appraisals or consideration with application of mind on the proposal is required at the time of sanction as compared to what is required in case of approval. The learned Counsel for the assessee has submitted that in the case of the assessee neither the Assessing Officer nor the sanctioning authority has given any specific reasons for coming to the conclusion that it was a fit case for issuing notice u/s 148 of the Act. The specified authority has not given any finding at the time of granting the sanction as to why the reopening beyond 3 years is in accordance with the provisions of section 149(1)(b) of the Act. The alleged material which is the basis of reopening of the assessment does not reveal the fact that the income escaped the assessment represents the asset or expenditure or an entry/entries in the books of account of the assessee for any of the years under consideration. In support of his contention, he has relied upon the judgment of the Hon'ble Supreme Court in case of Chhuganmal Rajpal vs. SP Chaliha (1971) 79 ITR 603 as well as the judgment of the Hon'ble Andhra Pradesh High Court in the case of P Munirathnam /Chetty and P. Satyanarayana Chetty vs. Income Tax Officer (1975) 101 ITR 385. Thus, the learned Counsel for the assessee has submitted that the exercising power u/s 151 of the Act in a casual and routine or mechanical manner without application of mind is not a valid sanction. He has relied upon the following case laws:

i) CIT vs.S Goyanka Line & Chemical Ltd (2015) 56 Taxmann.com 390 (MP)

ii) CIT vs.S Goyanka Line & Chemical Ltd (2015) 64 Taxmann.com 313 (SC)

iii) United Electrical Co (P) Ltd vs. CIT (2002) 258 ITR 317

iv) SBC Minerals (P) Ltd vs. ACIT (2024) 475 ITR 360
v) P Munirathnam Chetty and P Satyanarayana Chetty vs. Income Tax Officer (1975) 101 ITR 385 (AP).

vi) Hon'ble Delhi High Court in the case of Pr. CIT vs. Pioneer Town Planners (P) Ltd in ITA No.91/2019 dated 20/02/2024

12. On the other hand, the learned DR has referred to the reasons given by the Pr. CIT (Central) for forwarding the proposal of initiation of proceedings u/s 147 of the Act by issuing notice u/s 148 r.w.s. 149(1)(b) of the Act for approval of the DGIT (investigation) and submitted that the Pr. CIT has given elaborate reasons and satisfaction that during the course of search & seizure action u/s 132 of the Act it was found that the assessee has unaccounted cash receipts to the tune of Rs.6,08,84,018/- from scrap sale and the assessee admitted an income of Rs.4,24,74,689/- from the said unaccounted cash transactions. These unaccounted cash receipts have resulted in suppression of income and escapement of assessment represented in the form of asset as per the provisions of section 149(1)(b)(i) of the Act and entry/entries in the books of account as per the provisions of section 149(1)(b)(iii) of the Act. Therefore, the amount aggregated to Rs.6,82,879,018/- is such income that has escaped the assessment and needs to be brought to tax. Thus, the learned DR

has submitted that the reasons recorded by the Assessing Officer clearly set out the nature of the escapement of income in the form of asset and entry/entries in the books of account. The learned DR has referred to the reasons recorded placed at Page Nos. 9 & 10 of the paper book and submitted that the Assessing Officer has given the details of year-wise undisclosed income quantified by the ADIT which satisfies the condition u/s 149(1)(b)(i) and (iii) of the Act. He has further submitted that it is a case of parallel books of account maintained by the assessee for recording the undisclosed income which are part of the books of account. He has also referred to the Explanation (1) to section 149(1) of the Act, as existed at the relevant point of time and submitted that the asset which include immovable property being land or building or both, shares and securities, loans & advances, deposits in the bank account. In support of his contention he has relied upon the judgment of the Hon'ble Delhi High Court in case of Pr. CIT vs.Ojjus Medical Care reported in (2024) 465 ITR 101 (Del.) and submitted that at the time of issuing notice u/s 148, the Assessing Officer only have prima facie satisfied that the income amounting or exceeding Rs.50 lakhs may have escaped the assessment. He has further submitted that the Hon'ble High Court has held that at the time of issuance of notice u/s 148, the Assessing Officer may not have the occasion to undertake a detailed or in depth examination of the evidence collected or come to a definite information with respect to the total income which may have escaped the assessment. Since the computation and estimation of income i.e. likely to have escaped the assessment would at this stage be provisional and the proceedings initiated

for re-assessment cannot be quashed on this objection. The learned DR has further submitted that the seized material had found in the Laptop of the Sr. Accounts Manager of the assessee during the search, however, a separate warrant was required for search of the premises of the individual persons, though part of the assessee's group of concern. He has relied upon the judgment of the Hon'ble Madras High Court in case of S.R. Trust vs. ACIT dated 12/03/2021 in Writ Petition No.2221 of 2018 and submitted that the material seized by the Department from the Sr. Accounts Manager of the assessee's group would be an incriminating material from the purpose of issuance of notice u/s 148 of the Act. The possession of the incriminating material by the Sr. Accounts Manager of the assessee group is certainly attributed to the assessee and other group companies. The Hon'ble High Court in the said case of S.R. Trust vs. ACIT (Supra) has held that the principle of constructive possession can very well be applied to the case. Thus, the learned DR has submitted that the incriminating material found from the possession of the Sr. Accounts Manager will be treated as a material found from the possession of the assessee and other group concerns. He has relied upon the orders of the authorities below.

13. We have considered the rival contentions as well as the relevant material available on record. The assessee has challenged the validity of notice issued u/s 148 of the Act on various grounds including the ground of limitation, invalid sanction by superior authority and non-satisfaction of the conditions as laid down u/s 149(1)(b) of the I.T. Act. The Assessing Officer has recorded the

reasons for reopening the assessment u/s 147 of the Act in pursuant to the search & seizure action u/s 132 of the Act carried in case of the assessee and group concerns on 04/01/2023 as under:

> *"The reasons recorded for reopening of the assessment recorded are as under:*
>
> *1. A search and seizure operation u/s 132 of the IT Act was carried out by the ADIT(Inv.) Unit-I(1), Hyderabad on 04.01.2023 covering the group cases of M/s Exel Rubber Group and related entities /individuals. The case of the assessee, M/s Ace Tyres Private Limited, a group company, in which search u/s.132 was conducted on 04.01.2023 was centralized to this office ACIT-CC-1(2), Hyderabad.*
>
> *2. During the Search proceedings, details of various unaccounted cash receipts, viz. scrap sales, cash generated from adjustment purchase transactions, cash received on sale of lands, etc. were found and seized in certain cases. After analysis of the seized material and investigation, the ADIT (Inv.), Unit-(1) has quantified the undisclosed income detected in the hands of the assessee company M/s Ace Tyres Private Limited, as under:*

Asst. Year	Undisclosed Income Quantified by ADIT	Additional Income admitted by the assessee out of the Undisclosed Income Detected
2014-15	1,62,60,027	1,13,43,528

2015-16	6,08,84,018	4,24,74,689
2016-17	17,43,34,114	12,16,21,199
2017-18	8,21,89,996	5,73,38,438
2018-19	9,79,67,978	6,83,45,676
2019-20	3,78,69,796	2,64,19,212
2020-21	5,95,94,164	4,15,74,845
2021-22	3,00,82,983	2,09,86,875
2022-23	114,26,53,017	85,36,56,501
2023-24	1,61,80,065	1,12,87,744
Total	171,80,16,158	125,50,48,707

3. In view of the above, there is information which suggests that income chargeable to tax has escaped assessment in the case of the assessee company and this office is in possession of books of accounts or other documents or evidence which reveal that the income chargeable to tax represented in the form of an asset and an entry or entries in the books of account, as per the provisions of Sec.149(1)(b) of the Act, which has escaped assessment amounts to more than Rs.50 lakhs.

4. Considering the above information and based on material available on record, it is held that the case of the assessee company M/s Ace Tyres Private Limited is a fit case for issue of notice u/s.148 for AY 2016-17".

SHYAM KUMAR SURAPUR
CENTRAL CIRCLE-1(2) HYDERABAD

14. Identical reasons were recorded by the Assessing Officer for all the A.Ys except for the A.Y 2019-20 wherein the Assessing Officer has dropped the proceedings initiated u/s 148 by issuing notice u/s 148 on 18/03/2023 and thereafter, again

recorded the reasons for reopening of the assessment for issuing notice u/s 148 of the Act on 14/11/2024. Therefore, we will first deal with the validity of the notices issued u/s 148 of the Act dated 24/11/2023 for the A.Ys 2014-15 to 2018-19. As it is manifest from the reasons recorded by the Assessing Officer that the Assessing Officer has given the total amount of undisclosed income as quantified by the ADIT as well as the Additional income admitted by the assessee in the year-wise chart. Based on the amounts as given in said table/chart, the Assessing Officer treated the income escaped assessment in the case of the assessee for the A.Y 2014-15 to 2018-19 amounting to Rs.50 lakhs or more. During the course of the search & seizure operation on 04/01/2023, a Laptop was found and seized from the possession of one Shri Ramesh Kumar Sanaka, Sr. Accounts Manager who used to look after the financial and accounting matters of Exel Rubber Group of assessee's business concerns. On verification of the Laptop, the Department found that there was a FOCUS 5.5 Software and some MS Excel work books containing the details of several 100s of transactions representing receipts and payment in cash from the financial year 2013-14 to 2022-23. A statement of Shri Ramesh Kumar Sanaka was recorded during the course of search wherein he explained the transactions as found in FOCUS 5.,5 Software as unaccounted receipts generated from sale of scraps generated under various process of manufacturing of products and packaging material etc. There were also transactions recorded regarding expenditure incurred in cash. These transaction as found recorded in FOCUS 5.5 Software are in the nature of cash receipts as well as cash

expenditure and pertain to three companies namely Exel Rubber (P) Ltd, M/s. ACE Tyres (P) Ltd and M/s. Vilas Polymers (P) Ltd. The relevant part of the statement of Shri Ramesh Kumar Sanaka recorded u/s 132(4) of the Act on 04/01/2023, 05/01/2023 and 06/01/2023 during the course of search & seizure action at his residential premises at Flat No.401, Chestiya Estates, Near Nagarjuna High School, Rajeev Nagar, Khairtabad, Hyderabad is reproduced as under:

Q.7 Please furnish the details of Movable and Immovable properties held in the name of yourself and in the name of your wife.

Ans: The details of immovable assets held in my name and in the name of my wife are as under:

(i) Residential flat admeasuring 892 sq. ft. bearing Flat No. 401, Chestiya Estates, Rajeev Nagar, Khairatabad, Hyderabad.

(ii) Residential flat admeasuring 872 sq. ft bearing Flat No. 402, Chestiya Estates, Rajeev Nagar, Khairatabad, Hyderabad.

(iii) Residential flat admeasuring 1385 sq. ft bearing Flat No. 201, SR Residency, Nizampet Road, Hyderabad which was gifted to my daughter at the time of her marriage.

The details of movable assets held in my name and in the name of my wife are as under:

(i) Swift Dezire four wheeler bearing registration number TS 09 EB 6421.

Q.8 Please explain the nature of business of M/s ERPL, M/s Ace Tyres Private Limited (hereinafter referred as M/s ATPL, M/s Lexus Machines Private Limited (hereinafter referred as M/s LMPL), M/s Spinnmax Tyres Private Limited (hereinafter referred

as M/s STPL) and M/s Vilas Polymer Private Limited (hereinafter referred as M/s VPPL).

Ans. The company, M/s ERPL is into the business of manufacturing of automotive butyl tubes and two/three wheeler tires and bladders. The company does the job work for CEAT Tire Company using the raw material supplied by them and as per their specifications. The company also does the job work for Bridgestone, Apollo and Balakrishna Tires using the raw material purchased by us and as per their specifications.

M/s ATPL is into the business of manufacturing of two/three wheeler tires. The company does job work for CEAT, Apollo and TVS Tires. The tires are manufactured with the raw material supplied by these companies and as per their specifications.

M/s LMPL is into the business of manufacturing of machinery related to tire industry and also maintenance of machinery of our group companies viz. ATPL and ERPL.

M/s STPL is also into the business of manufacturing of two/three tires. The company does job work for the companies Apollo and Michelin tires. It manufactures the tires using the raw material supplied by them and as per their specifications.

M/s VPPL is into the business of manufacturing of automotive flaps. The company does the job for the CEAT tire company using the raw material supplied by them and as per their specifications. Further, the company also does the job work for Apollo and Bridgestone using the raw material purchased by us and as per their specifications.

Q.9 Please explain your role and responsibilities in the company M/s ERPL and in overall Exel group of business concerns.

Ans. I am working as Sr. Manager (Accounts) in the company, M/s Exel Rubber Private Limited. I prepare quotations to the customers quarterly for the material manufactured by the company. I prepare CMA (Credit Monetary Appraisal) data of the company to the banks for renewal of credit limits. I follow up the payments from customers. Further, I attend to the works assigned by the management from time to time. Further, I am the Finance Head looking after the entire Exel group of business concerns and report directly to Sri G.Raghunath Reddy.

V. A. T. V. Kumar
06/01/23

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Q.10 Please give details of key employees of accounts department of M/s ERPL and its group concerns.

Ans. Besides myself as Sr. Manager (Accounts), the Accounts team of M/s ERPL has Sri C. Maheshwar Rao Manager (Acconts), Sri K. Jwala Prasad Asst. Manager (Accounts), Sri K. Dorababu, Accountant, Sri Bhoopal Reddy, Accountant and Sri J. Satyanarayana.

Sri C.S. Kalyan, Manager (Accounts), Sri A. Srinivas Rao, Accountant, Sri Suresh, Asst. Accountant and Smt Lakshmi, Asst. Accountant are the staff of accounts department of M/s ATPL.

Sri A. Srinivas Rao, Accountant is the key employee of the accounts department of M/s LMPL.

Sri Vasudeva Rao, Manager (Accounts) and Sri Gangadhar, Asst. Accountant are the key employees of the accounts department of M/s STPL.

Sri Madhusudhan Reddy, Manager (Accounts) and Sri Janardhan, Asst. Accountant are the key employees of the accounts department of M/s VPPL.

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The statement is resumed on 06.01.2023 at 08.00 AM after giving sufficient rest to the assessee.

Q.58 During the course of search and seizure proceedings u/s 132 of the Income Tax Act, 1961 conducted in the case of Sri Ramesh Kumar Sanaka at the residential premises at 401, Chestiya Estates, Near Nagarjuna High School, Rajeev Nagar, Khairatabad, Hyderabad the forensic imaging of Dell laptop, mobile phones, pendrives and etc. have been made and the same have been seized as Annexure-A/RKS/RES/01 in your presence. Please confirm the same.

Ans. Yes sir, I confirm that during the course of search and seizure proceedings u/s 132 of the Income Tax Act, 1961 conducted in the case of Sri Ramesh Kumar Sanaka at the residential premises at 401, Chestiya Estates, Near Nagarjuna High School, Rajeev Nagar, Khairatabad, Hyderabad the forensic imaging of Dell laptop, mobile phones, pendrives and etc. have been made and the same have been seized as Annexure-A/RKS/RES/01 in my presence.

Q.59 **I am showing you an excel workbook named "CASH ACE 20-21" found in the folder named "CASH" on desktop of your Dell laptop which was found during the course of search and seizure proceedings at this premise. Please confirm the same and explain the contents in it. Please also state that the transaction in the excel workbook were recorded in the books of accounts.**

Ans. Yes sir, I confirm that an excel workbook named "CASH ACE 20-21" found in the folder named "CASH" on desktop of my Dell laptop. The excel workbook contains the details of receipts and payments made in cash for the FY 2020-21 of M/s ATPL. This excel workbook was created by Sri Jwala Prasad, Asst. Manager (Accounts) and records in it were updated by me and him. The transactions mentioned in this excel workbook were not recorded in the books of accounts of M/s ATPL. These transactions were downloaded from Focus 5.5 software maintained in my laptop and the complete transactions are available in the software.

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Q.60 I am showing you excel workbooks named "CASH ACE 21-22", "CASH EXEL 20-21", "CASH EXEL 21-22" and "CASH VILAS 21-22" found in the folder named "CASH" on desktop of your Dell laptop which was found during the course of search and seizure proceedings at this premise. Please confirm the same and explain the contents in them. Please also state that the transactions in the excel workbooks were recorded in the books of accounts.

Ans. Yes sir, I confirm that an excel workbooks named "CASH ACE 21-22", "CASH EXEL 20-21", "CASH EXEL 21-22" and "CASH VILAS 21-22" found in the folder named "CASH" on desktop of my Dell laptop. The excel workbooks contain the details of receipts and payments made in cash for the FY 2021-22 of M/s ATPL, FY 2020-21 of M/s ERPL, FY 2021-22 of M/s ERPL and FY 2021-22 of M/s VPPL respectively. These excel workbooks were created by Sri Jwala Prasad, Asst. Manager (Accounts) and records in them were updated by me and him. The transactions mentioned in these excel workbooks were not recorded in the books of accounts of the respective companies. These transactions were downloaded from Focus 5.5 software maintained in my laptop and the complete transactions are available in the software.

Q.61 I am showing you the folder named "CASH" found on desktop of your Dell laptop which was found during the course of search and seizure proceedings at this premise. Please confirm the same and explain the contents in the files present in that folder.

Ans. Yes sir, I confirm that the folder named "CASH" found on desktop of your Dell laptop which was found during the course of search and seizure proceedings at this premise. The excel workbooks present in that folder contain the details of receipts and payments made in cash by the respective companies. The transactions in the excel workbooks were not recorded in the books of accounts of the companies. These transactions were downloaded from Focus 5.5 software

बी. दिनेश आदित्य, भा.रा.से.
B. DINESH ADITYA, I.R.S.
सहायक निदेशक (अन्वेषण)
Deputy Director of Income Tax (Inv.)
यूनिट-1(3), हैदराबाद / Unit-1(3), Hyderabad

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maintained in my laptop and the complete transactions are available in the software.

Q. 62 Do you want to say anything else?

Ans. No sir.

6/1/23

बी. दिनेश आदित्य, भा.रा.से.
B. DINESH ADITYA, I.R.S.
उप आयकर निदेशक (अन्वेषण)
Deputy Director of Income Tax (Inv.)
यूनिट-1(3), हैदराबाद / Unit-1(3), Hyderabad

Wt-1: 06/01/23

Wt-2: 06/1/23

6/1/23

DEPONENT

(S. RAMESH KUMAR)

15. It is pertinent to mention that the statement of Shri Ramesh Kumar Sanaka, Sr. Accounts Manager of the assessee was recorded on 4th to 6th January, 2023 in pursuant to the search & seizure action conducted in the case of Shri Ramesh Kumar Sanaka at his Flat bearing No.401 vide warrant of authorization dated 03/01/2023 and Panchama as under:

PANCHANAMA

Party No. **H O**

(A) Warrant in the case of : M/s Ramesh Kumar Sanaka

(B) Warrant to search : Flat No. 401, Chestiya Estates, Near Nagarjuna High School, Rajeev Nagar, Khairatabad, Hyderabad – 500045.

(Details & Ownership of place of search)

Telephone Numbers :

(C) (A) and (B) stated to be assessed by

(D) Search party consisting of :

Sl No	Name	Designation	Office
01	Bandla Dinesh Aditya	DDIT (Inv.)	Unit-I (3), Hyderabad
02	Vavilala Rakesh Kumar	ITI	O/o The DDIT(Inv.), Unit-1(3), Hyderabad.
03	Jaya Rama Raju G	ITI	O/o The Addl. CIT(Inv.), AU-4(3), Hyderabad.
04	G. Ganga Mallesh	Steno	O/o The JCIT(BPU), Unit-1, Hyderabad
05	B. Ramesh	MTS	O/o The Addl. CIT, Range-1, Hyderabad

(E) Name and complete address of Panchas :

1. Sri P. Madhusudhan Rao, Flat No. 301, Varija Enclave, Gudimalkapur, Mehdipatnam, Hyderabad – 500063.

2. Sri Mohd Feroz Khan S/o Mohd. Ibrahim Khan, 17-1-375/31/A, Husnabad, Santosh Nagar, Hyderabad – 500059.

On being called by **Sri Bandla Dinesh Aditya, DDIT (Inv.)** on **04.01.2023 at 06.50** a.m./~~p.m~~. we, the above named panchas, presented ourselves at the above place of search. The authorized officer, **Bandla Dinesh Aditya, DDIT (Inv.)** showed the warrant of authorization dated **03.01.2023** issued under section 132 of the income tax Act 1961 / ~~37Aof the W.T.Act 1957~~ in the case of (A) above to search the place mentioned at (B) above and duly signed and sealed by **the Pr. Director of Income- tax (Inv.), Hyderabad** to **Sri Ramesh Kumar Sanaka** who was present in the said place at the time and who after reading the said authorization/ ~~after the authorisation was explained in local language viz~~ **Telugu** ~~by Shri./Smt.~~, signed it in our presence and along with us, in token of having perused the same.

~~2.As today's search was continuance of the proceeding on ——— we along with the aforesaid authorized officers before the commencement of proceedings today inspected the seals which had been placed on that date i.e. ——— and found them to be intact / tampered with as narrated in the enclosures.~~

3. The above mentioned search party offered themselves for personal search before commencing the search which was ~~taken~~ / declined.

4. A search of the above mentioned place was carried out by the said party in our presence in an orderly manner without hurting the sentiments of any of the occupants of premises. Nothing untoward ~~/ the events narrated in the enclosures~~ happened in the course of the search.

5. In the course of the search

(a) **The following were found and Seized :**

(i) External Hard disk containing forensic image, loose sheets as per Annexure-A.

(b) **The following were found but not seized :**

(i) Gold and Jewellery as per Annexure – C.

6. In the course of the search, the authorized officer **Bandla Dinesh Aditya, DDIT(Inv.)** recorded the statement of **Sri Ramesh Kumar Sanaka** on solemn affirmation/oath, in our presence. No coercion, threat, inducement, promise or other undue influence was brought to bear on the above deponent. The statement was read over / ~~explained in the local language viz _____~~ to the deponent's, who have signed the statement in token of having understood its contents and of agreeing that it had been correctly recorded.

7. The following other important persons were present in the place of search an either took an active part or helped the search proceedings

Name	**Relationship**
Jhansi Rani Sanaka	Wife

8. The search commenced on **04.01.2023** at **06.50** a.m./~~p.m.~~ The proceedings were closed **06.01.2023** at **10.15 a.m./~~p.m~~** as ~~finally concluded~~ / temporarily concluded for the day to be commenced subsequently for which purpose seals were placed the locker inside Almirah in the Bed room, situated at the North-west corner of the residence premises at Flat No. 401, Chestiya Estates, Near Nagarjuna High School, Rajeev Nagar, Khairatabad, Hyderabad in our presence.

9. Orders under 132(3) of the I. T. Act 1961 in respect of the sealed locker inside Almirah in the Bed room, situated at the North-west corner of the residence premises at Flat No. 401, Chestiya Estates, Near Nagarjuna High School, Rajeev Nagar, Khairatabad was served on **Shri. Ramesh Kumar Sanaka** by the said authorized officer, **Bandla Dinesh Aditya, DDIT(Inv.), Unit-1(3), Hyderabad.**

10. Before leaving the above mentioned place of the search, the entire search party again offered themselves for personal search which was ~~taken~~ / declined. The above panchnama has been read by us / ~~explained to us in local language viz~~ **Telugu** ~~by Shri / Smt _____~~ and is certified that it has been correctly recorded.

Signature of the Panchas with date

1. _____

2. _____ 6/1/23

Signature of the Authorsied Officer

_____ आ.रा.से.

Signature of the person receiving the copy of the panchnama

_____ 6.1.23

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ANNEXURE-A

INCOME TAX DEPARTMENT, HYDERABAD

DATE OF SEARCH: **04.01.2023** PAGE NO.**01**

LIST OF A/C.BOOKS, LOOSE SHEETS, DIGITAL EVIDENCES ETC. SEIZED

~~M/s.~~/Shri/~~Smt.~~ **Ramesh Kumar Sanaka** at **Flat No. 401, Chestiya Estates, Near Nagarjuna High School, Rajeev Nagar, Khairatabad, Hyderabad – 500045.**

Sl. No	DESCRIPTION	Total Pages	Written Pages	Period written of which year of		Pages on which identification marks placed
01	External Hard Disks – Seagate One Touch 2TB S No. NACNFL5K (Master Copy) and Seagate One Touch 1TB S No. NABW5JJ2 (Working Copy) annexed and marked as A/RKS/RES/01 containing the back up of Mobile phones and email.	-	-	-	-	-
02	Loose sheets annexed and marked as Annexure – A/RKS/RES/02	130	01-130	-	-	-
03	Loose sheets annexed and marked as Annexure – A/RKS/RES/03	61	01-61	-	-	-

Total No. of items of books of accounts, documents, digital evidence etc., on this page 03

Total upto this page 03

Signature of panchas

1.

2. 04/01/23

Signature of Authorised Officer (With Name & Designation)

डॉ. दिनेश आदित्य, भा.रा.से.
Dr. DINESH ADITYA, IRS.
Director of Income

Signature of party (With Name & Position)

04.1.23

S. RAMESH KUMAR

(Written by Shri/Smt. _____ of _____ office)

(Please use extra sheets if found inadequate)

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ANNEXURE-C

INCOME TAX DEPARTMENT, HYDERABAD

DATE OF SEARCH : **04.01.2023** PAGE NO.1

LIST/INVENTORY OF JEWELLERY FOUND/SEIZED

List of Bullion (Primary Gold, Silver etc.)/gold ornaments and jewellery/silver articles found in the case of ~~M/s./Shri/Smt~~ **Ramesh Kumar Sanaka at Flat No. 401, Chestiya Estates, Near Nagarjuna High School, Rajeev Nagar, Khairatabad, Hyderabad – 500045** in the course of search.

Specific place where found in the **almirah situated in Bedroom and locker no. 422 of Central bank of India, Kalyan Nagar Branch.**

Items claimed to be belonging to **Smt Jhansi Rani Sanaka, Smt Soujanya Jampa & Master. Thanvik.**

Sl.No.	Description of the articles/stones	No.	Metal	Stones Caratage	Gross Wt.	Net Wt.	Value
As per the valuation report of the government approved valuer dated 04.01.2023							

Signature of panchas

1.

2.

Signature of Authorised Officer (With Name & Designation)

Signature of party (With Name & Position)

6/1/23

S RAMESH KUMAR

Received back the cash, gold & jewellery valued as above

RUNNING PANCHANAMA

IN THE CASE OF SRI RAMESH KUMAR SANAKA,

Flat No. 401, Chestiya Estates, Near Nagarjuna High School, Rajeev Nagar, Khairatabad, Hyderabad – 500045

DATE: 05.01.2023 AT 03:00 PM.

During the course of Search and Seizure operation conducted u/s.132 of the Income tax Act, 1961 in the case of Sri Ramesh Kumar Sanaka at Flat No. 401, Chestiya Estates, Near Nagarjuna High School, Rajeev Nagar, Khairatabad, Hyderabad – 500045, the assessee Sri Ramesh Kumar Sanaka was sent to the corporate office of M/s Exel Rubber Private Limited at Plot No.7, Thrushna Building, TGIIC layour, Infocity, Madhapur, Hyderabad – 500081.

Witness-1 05/01/23

Witness-2 05/01/23

Authorised Officer

वी. दिनेश अन्दिर भा.रा.रा.
B [illegible] (A), I.R.S.
[illegible] (अन्वेषण)
D[illegible] Income Tax (Inv)
[illegible] Unit 1(3), Hyderabad

Assessee 5/1/23

16. Therefore, there is a separate authorization and Panchanama for conducting the search & seizure action in case of Shri Ramesh Kumar Sanaka at his residential premises beairng Flat No.401, Chestiya Estates, Rajeev Nagar, Hyderabad during which external harddisk having copied the data from the Lap Top of Shri Ramesh Kumar Sanaka and loose sheets were seized and the same are marked as A/RKS/RES/01, A/RKS/RES/02 and A/RKS/RES/03 as per the list of seized material being Annexuere A to Panchanama reproduced above. It is also clear from the statement that the search was conducted in the personal capacity of Shri Ramesh Kumar Sanaka at his residential premises and his personal belongings, assets, bank account lockers as well as Laptop were subject matter of the search during the action by the Department. There was a simultaneous search & seizure action in case of Exel Group of companies comprising M/s. Exel Rubber (P) Ltd, M/s. Ace Tyres (P) Ltd, M/s. Vilas Polymers (P) Ltd, M/s. Spinmax Tyres (P) Ltd and M/s. Laxes Machine (P) Ltd vide warrant of authorisation and Panchanama as under:

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PANCHANAMA

Party No. MARS-1

(A) Warrant in the case of : M/s Excl Rubber Private Limited
M/s Ace Tyres Private Limited
M/s Vilas Polymer Private Limited
M/s Spinnmax Tyres Private Limited
M/s Lexus Machines Private Limited

(B) Warrant to search (Details & Ownership of place of search) : Plot No. 7, Thrushna Building, TGIIC Layout, Infocity, Madhapur, Hyderabad, Telangana

(C) (A) and (B) stated to be assessed by

(D) Search party consisting of :

Sl No	Name of Officer/ Official	Designation	Office
01	Shaik Shakeer Ahmed	JDIT	JDIT(OSD)(Inv.), FAIU-2,Hyderabad
02	V A T Venkata Kumar	DDIT	DDIT(Inv.), Unit-II(2), Hyd
03	A Bhargava Sekhar	DDIT	DDIT(Inv.), Unit-IV(2), Vijayawada
04	MSSN Srinivas	DDIT	DDIT(Inv.), Unit
05	K S S Subhakar Babu	ITO(Inv.)	JDIT(Inv.), Unit-IV, Vijayawada
06	Y. Prasad	ITO	Addl.CIT(ReFAC)(AU)-1(3), Hyd
07	V P Narasimha Rao	ITO	Addl. CIT, TDS Range-2, Hyd
08	D V Ramakrishna	ITI	JDIT(Inv.), Unit-IV, Vijayawada
09	Kilaru Viranjaneyulu	ITI	DDIT(Inv.), Unit-I(2), Hyderabad
10	Rajesh Kumar Meena	ITI	DDIT(Inv.), Unit-I(4), Hyderabad
11	Ravindra Reddy Avula	ITI	DDIT(Inv.), Unit-I(4), Hyderabad
12	Dandaboina Lingam	ITI	DDIT(Inv.), Unit-II(2), Hyderabad
13	Ravi Kumar Saroj	ITI	Addl.CIT(ReFAC)(AU)-1(3), Hyd
14	Chatru Naik	ITI	ITO-AU-2(4)(3), Hyderabad.
15	Prakash Chandra Muduli	OS	Addl.CIT, Central Range-1, Hyd
16	G. Kishore	OS	Addl.CIT(ReFAC)(AU)-4(2), Hyd
17	Vishnu Vardhan Reddy	TA	Addl.CIT(ReFAC)(AU)-4(2), Hyd
18	Vinay Kumar Srivastava	MTS	Addl.CIT(ReFAC)(AU)-1(1), Hyd

(E) Name and complete address of Panchas :

1. Sri Kadaveru Srikanth (Asst. G-III, FCI)
S/o Sri Kadaveru Venkatadri,
H. No. 4-82, Bandaravirala,
Hayath Nagar, Ranga Reddy,
Telangana - 501505
Aadhar No. 376832058076
Mobile No. 9491878341

2. Sri Ravindranadhan T M, (Asst. G-III, FCI)
S/o Late Sri Parameswaran Nambiar,
Flat No. 103, H No. 1-5-145/146,
Akshay Fortune, Near Ambedkar Statue,
Old Alwal Secunderabad - 500010.
Aadhar No- 204618198258
Mobile No. 9346927827

On being called by **Sri V A T Venkata Kumar, DDIT(Inv.)**, on **04.01.2023 at 06:45 AM** /~~p.m.~~ we, the above named panchas, presented ourselves at the above place of search. The authorized officer, **Sri V A T Venkata Kumar** showed the warrant of authorization dated **03.01.2023** issued under section 132 of the income tax Act 1961 / 37A of ~~the W. T Act 1957~~ in the case of (A) above to search the place of mentioned at (B) above and duly signed and sealed by **the Pr. Director of Income- tax (Inv.), Hyderabad** to Shri Satendra Sharma (Security incharge) who was present in the said place at the time and ~~after reading the said authorization/~~ after the authorization was explained to him in local language viz., Hindi by Shri Rajesh Kumar Meena, Inspector of Income Tax, signed it in our presence and along with us, in token of having perused the same and to Shri Jwala Prasad, Asst Accounts Manager of M/s Excl Rubber Private Limited subsequently, who, after reading the said authorization, signed it in our presence in token of having perused the same.

~~2. As today's search was continuance of the proceeding on ——— we along with the aforesaid authorized officers before the commencement of proceedings today inspected the~~

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~~seals which~~ had been placed on that date i.e. _____ and found them to be **intact** / ~~tampered with as narrated in the enclosures~~.

3. The above mentioned search party offered themselves for personal search before commencing the search which was ~~taken~~ / declined.

4. A search of the above mentioned place was carried out by the said party in our presence in an orderly manner without hurting the sentiments of any of the occupants of premises. Nothing untoward ~~/ the events narrated in the enclosures~~ happened in the course of the search.

5. In the course of the search

(a) The following were found and Seized :

(i) Books of accounts, other documents and digital evidence as per Annexure 'A'.

(ii) Cash of Rs. 5,51,35,000/- has been found and out of that cash of Rs. 5,40,00,000/- has been seized as detailed in Annexure 'B'.

(b) The following were found but not seized :

(i) Gold coins of net weight 2067 grams as per Annexure 'C'.

6. In the course of the search, the authorized officer **Sri V A T Venkata Kumar** recorded the statement (s) of **Shri Kullachi Jwala Prasad, Shri C. Maheshwar Rao, Shri Satyanand, Shri Ch. Srinivasa Rao, Shri Ramesh Kumar Sanaka and authorized officer Shri MSSN Srinivas recorded the statement of Shri G Raghunath Reddy** on ~~solemn affirmation/~~oath u/s 132(4) of the I.T. Act, 1961, in our presence. No coercion, threat, inducement, promise or other undue influence was brought to bear on the above deponent. The statement was read over / ~~explained in the local language viz~~ _____ to the deponent, who signed the statement in token of having understood its contents and of agreeing that it had been correctly recorded.

7. The following other important persons were present in the place of search and either took an active part or helped the search proceedings

Name	Relationship

8. The search commenced on 04.01.2023 at 06:45 a.m./~~p.m.~~ The proceedings were closed on 07.01.2023 at 11:50 ~~a.m./~~p.m as ~~finally concluded~~/ temporarily concluded for the day to be commenced subsequently for which purpose seals were placed on the room adjacent to MD room in 2nd Floor of corporate office of M/s Exel group at Plot no.7, Thrushna Building, TGIIC Layout, Infocity, Madhapur, Hyderabad in our presence.

9. An order under 132(3) of the I. T. Act 1961 in respect of the sealed premises was served to Shri G.Raghunath Reddy by the said authorized officer Sri V A T Venkata Kumar.

10. Before leaving the above mentioned place of the search, the entire search party again offered themselves for personal search which was **taken** / declined. The above panchanama has been read by us / ~~explained to us in local language~~ _____ by ~~Shri / Smt~~ _____ and is certified that it has been correctly recorded.

Signature of the Panchas has with date

1. _____ 7/1/23

2. _____ 7/1/23

Recorded on 7/1/2023

Signature of the Authorised Officer

V.A.T.V. KUMAR, I.R.S.
Deputy Director of Income Tax (Inv.)
Unit-II (2), Hyderabad.

Name : V.A.T.V. KUMAR, I.R.S.

Designation : Deputy Director of Income Tax (Inv.) Unit-II (2), Hyderabad.

Date : 07/01/23

Signature of the person receiving the copy of the panchanama

Name : S. RAMESH KUMAR

position in / relationship to 'A' Sr Manager Finance

Date : Exel Rubber (P) Ltd

17. In the said search & seizure action in case of Exel Group, statement of Shri Gangaram Raghunath Reddy, M.D of Exel Group of companies was recorded on 17/01/2023 u/s 132(4) of the I.T. Act. During the said statement, Shri Gangaram Raghunath Reddy was confronted with the statement of Shri Ramesh Kumar Sanaka recorded on 04/01/2023 to 06/01/2023 at his residence at Flat No.401,Chestiya Estates as well as statemenht dated 06/01/2023 again recorded in the search & seizure operation in case of Exel Rupper (P) Ltd a group entity at the Corporate Office at Plot No.7 Thrushna Building, TGHC Layout, Infocity, Madhapur, Hyderabad. During the said statement at the Corporate Office of Exel group of entities Shri Ramesh Kumar Sanaka was confronted with his earlier statement recorded u/s 132(4) of the Act at his residence. The relevant part of the statement in question Nos. 13 and Question No.21 as under:

Q.13 Please refer to the Q.No.60 of your statement recorded at your residence during the course of Search and Seizure u/s 132 of the I.T. Act, 1961 which is reproduced below.

Q.60 I am showing you excel workbooks named "CASH ACE 21-22", "CASH EXEL 20-21", "CASH EXEL 21-22" and "CASH VILAS 21-22" found in the folder named "CASH" on desktop of your Dell laptop which was found during the course of search and seizure proceedings at this premise. Please confirm the same and explain the contents in them. Please also state that the transactions in the excel workbooks were recorded in the books of accounts.

Ans. Yes sir, I confirm that an excel workbooks named "CASH ACE 21-22", "CASH EXEL 20-21", "CASH EXEL 21-22" and "CASH VILAS 21-22" found in the folder named "CASH" on desktop of my Dell laptop. The excel workbooks contain the details of receipts and payments made in cash for the FY 2021-22 of M/s ATPL, FY 2020-21 of M/s ERPL, FY 2021-22 of M/s ERPL and FY 2021-22 of M/s VPPL respectively. These excel workbooks were created by Sri Jwala Prasad, Asst. Manager (Accounts) and records in them were updated by me and him. The transactions mentioned in these excel workbooks were not recorded in the books of accounts of the respective companies. These transactions were downloaded from Focus 5.5 software maintained in my laptop and the complete transactions are available in the software.

With reference to your reply to the question quoted above, please explain why Focus ERP 5.5 is used by you in your Dell laptop while the books of accounts of the Exel Group of business concerns are maintained in Focus ERP 7.0.

Ans. Sir, though the Exel Group of concerns are utilizing Focus ERP 7.0 for maintenance of books of accounts, I had Focus ERP 5.5 installed in my Dell Laptop for recording cash

V.A.T.Vkumar 06/01/23

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transactions which are not accounted for in the books of accounts of the Group concerns. On the other hand, the transactions which are to be accounted for in the books of accounts of the Group concerns are recorded in Focus ERP 7.0.

Q.21 Please furnish the Financial Year wise summary of the unaccounted cash transactions of M/s Exel Group of entities.

Ans: I am herewith furnishing the Financial Year wise summary as shown below:

S.No	Financial Year	Unaccounted cash receipts of ERPL	Unaccounted cash receipts of ATPL	Total Unaccounted cash receipts
1	2011-12			11,02,05,716
2	2012-13			8,97,87,664
3	2013-14			19,34,74,960
4	2014-15			20,01,18,451
5	2015-16			38,12,10,814
6	2016-17			29,42,33,365
7	2017-18			28,17,53,376
8	2018-19	12,59,09,850	12,26,00,531	24,85,10,381
9	2019-20	10,34,67,587	26,30,10,949	36,64,78,536
10	2020-21	8,58,43,158	9,45,63,382	18,04,06,540
11	2021-22	8,27,85,374	2,51,95,170	10,79,80,544
12	2022 (Till 31.12.2022)	5,22,24,341	1,12,66,627	6,34,90,968
		45,02,30,310	**51,66,36,659**	**2,51,76,51,315**

A.T.V. Kumar 06/01/25

ए. टी. वी. कुमार, भा.रा.से.
A.T.V. KUMAR, I.R.S.

6/1/2025

As stated earlier, these unaccounted cash transactions as recorded above contain details of cash generated from sale of scrap, purchase adjustments/accommodations, sale of raw materials, sale of immovable property, interest received on loans advanced, repayment of such loans advanced by M/s Exel Group and its Management in their individual capacity.

I would like to further state that amounts mentioned in the table above for different financial years include amounts realized from the debtors to whom either the Group concerns or the individual directors have advanced loans earlier which have to be adjusted for arriving at the actual cash generated over years.

18. Thus, the financial year wise summary of unaccounted cash transactions of the entire Exel Group of companies was given by Shri Ramesh Kumar Sanaka which reveals that for the A.Y 2011-12 to 2017-18 i.e. relevant to the A.Y 2012-13 to 2018-19 no specific unaccounted cash receipts is attributed to individual company i.e. Exel Rubber (P) Ltd and Ace Tyres (P) Ltd. Only from the financial year 2018-19 onwards, the details of specific amount of unaccounted cash receipts in case of these 2 entities were given which shows that there was no specific amounts of unaccounted cash receipts atributable to these 2 companies prior to financial year 2018-19, though the total unaccounted cash receipts were given which may be comprising of the unacounted receipts of all 5 entities subjected to search & seizure operation. Shri Ramesh Kumar Sanaka also explained that these unaccounted cash transactions were recorded for the entire group of concerns under one monitoring system of unaccounted cash transactions comprising of receipts as well as payments.

19. In the assessment order, the Assessing Officer has also admitted this fact that the unaccounted cash receipts as well as expenditure could not be attributed to specific companies and

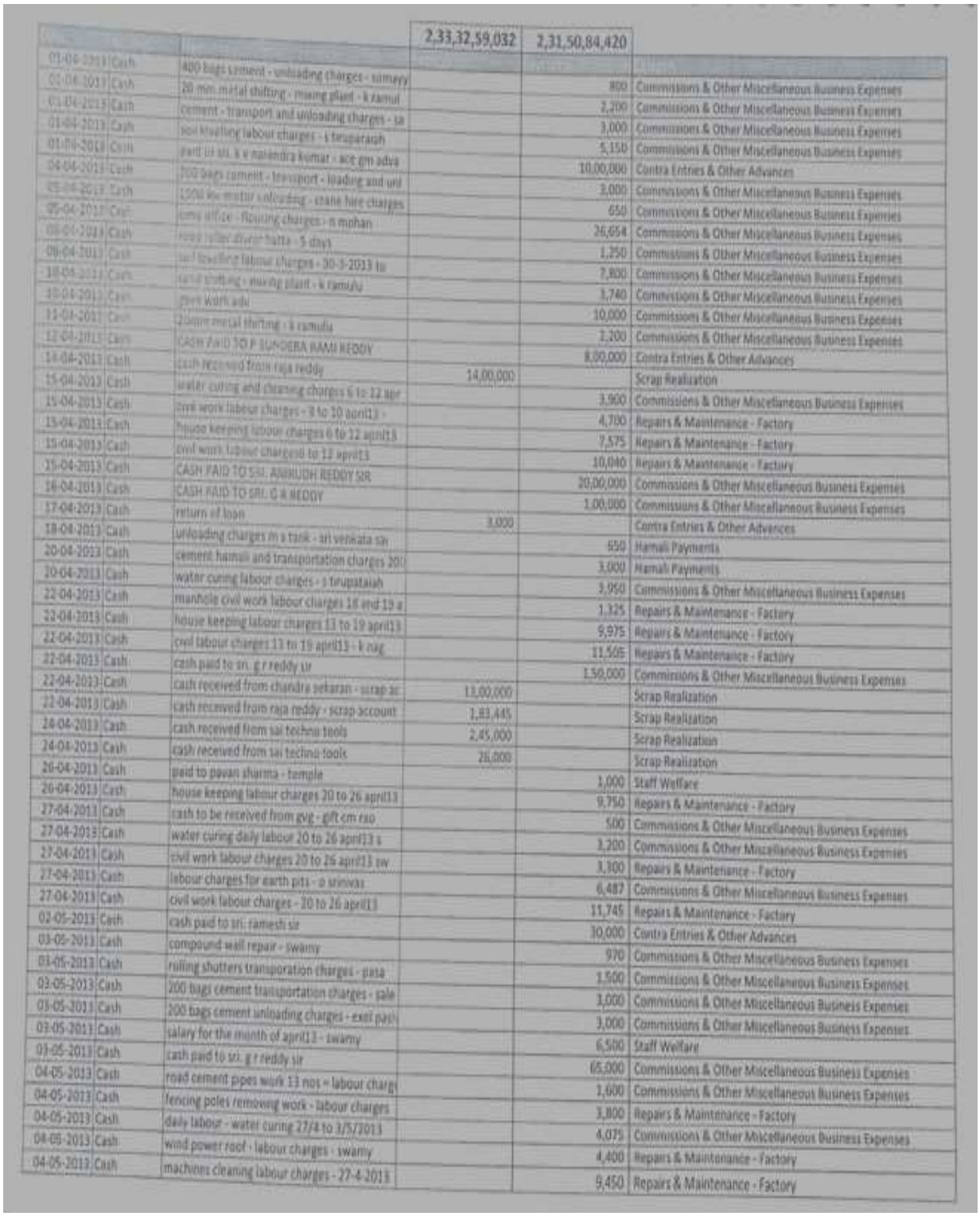
therefore, the Assessing Officer has apportioned the unaccounted cash receipts in the ratio of the turnover of these various entities including the assessee in para 7.32 as under:

7.32 As detailed above, Shri G.Raghunath Reddy in his submissions during the course of post search enquiries was categorical in stating that the 'unaccounted' cash receipts' generated at various locations cannot be ascribed to any one entity with certainty as they had a centralized monitoring system to oversee the generation of cash and utilization of the same. Accordingly, the group had apportioned the 'unaccounted cash receipts' and the resultant 'undisclosed incomes' worked out and admitted in the hands of the active entities, in accordance with the turnovers recorded for different assessment years. Following the proportion adopted by the assessee in distribution of additional income of Rs.107,63,08,796/-to different corporate entities of the group, the amount of Rs.154,28,01,275/- was worked out as follows:

FIN.YEAR	EXEL RUBBERS	ACE TYRES	VILAS POLYMERS	TOTAL
2013-14	28341030	16260027	33453968	78055025
2014-15	45608852	60884018	44627345	151120215
2015-16	123542153	174334114	74429387	372305654
2016-17	72731118	82189996	46872112	201793226
2017-18	97863648	97967978	63320619	259152245
2018-19	41393042	37869796	37616789	116879627
2019-20	51467168	59594164	26131035	137192367
2020-21	42956903	30082983	28244887	101284773
2021-22	32698350	28932687	13182832	74813869
2022-23 (upto 04-01-2023)	25996415	16180065	8027794	50204274
TOTAL	**56,25,98,679**	**60,42,95,828**	**37,59,06,768**	**154,28,01,275**

20. This apportionment of the unaccounted income on the part of the Assessing Officer during the assessment proceedings for year-wise and entity-wise and specifically for the assessee M/s. Ace Tyres (P) Ltd is not matching with the details as given by the Assessing Officer while recording the reasons for reopening of the assessment in case of Ace Tyres (P) Ltd. Therefore, at the time of recording the reasons, the Assessing Officer was not reasonably ascertain the amount of unaccounted income escaped the assessment for the A.Ys 2014-15 to 2018-19. Even these details as recorded by the Assessing Officer in the reasons for reopening of the assessment as well as in the assessment order are not matching with the details as furnished by Shri Ramesh Kumar Sanaka being reproduced in the statement recorded u/s 132(4) of the Act as well as the actual transaction as found in the Laptop of Shri Ramesh Kumar Sanaka. The total sum of the receipt and payment side of the Excel Sheets as taken from the Laptop of Shri Ramesh Kumar Sanaka are Rs.233,32,59,032/- and Rs.231,50,84,420/- respectively. Therefore, the net difference of the receipt and payments of the total transactions as found in the Excel sheets taken from the Laptop of Shri Ramesh Kumar Sanaka is less than Rs.2 crores. For ready reference, some of the

transactions found in the said Excel sheets are reproduced as under:



		2,33,32,59,032	2,31,50,84,420	
01-04-2013	Cash	400 bags cement - unloading charges - sumayy		
02-04-2013	Cash	20 mm metal shifting - mixing plant - k ramul		800 Commissions & Other Miscellaneous Business Expenses
01-04-2013	Cash	cement - transport and unloading charges - sa		2,200 Commissions & Other Miscellaneous Business Expenses
01-04-2013	Cash	soil levelling labour charges - s tirupataiah		3,000 Commissions & Other Miscellaneous Business Expenses
01-04-2013	Cash	paid to sri. k v narendra kumar - ace gm adva		5,150 Commissions & Other Miscellaneous Business Expenses
04-04-2013	Cash	200 bags cement - transport - loading and unl		10,00,000 Contra Entries & Other Advances
05-04-2013	Cash	1200 kv motor unloading - crane hire charges		3,000 Commissions & Other Miscellaneous Business Expenses
05-04-2013	Cash	cane office - flooring charges - n mohan		650 Commissions & Other Miscellaneous Business Expenses
06-04-2013	Cash	road roller diesel batta - 5 days		26,654 Commissions & Other Miscellaneous Business Expenses
06-04-2013	Cash	soil levelling labour charges - 30-3-2013 to		1,250 Commissions & Other Miscellaneous Business Expenses
10-04-2013	Cash	metal shifting - mixing plant - k ramulu		7,800 Commissions & Other Miscellaneous Business Expenses
10-04-2013	Cash	store work adv		1,740 Commissions & Other Miscellaneous Business Expenses
11-04-2013	Cash	20mm metal shifting - k ramulu		10,000 Commissions & Other Miscellaneous Business Expenses
12-04-2013	Cash	CASH PAID TO P SUNDERA RAMI REDDY		1,200 Commissions & Other Miscellaneous Business Expenses
14-04-2013	Cash	cash received from raja reddy	14,00,000	8,00,000 Contra Entries & Other Advances
15-04-2013	Cash	water curing and cleaning charges 6 to 12 apr		Scrap Realization
15-04-2013	Cash	civil work labour charges - 8 to 10 april13 -		3,900 Commissions & Other Miscellaneous Business Expenses
15-04-2013	Cash	house keeping labour charges 6 to 12 april13		4,700 Repairs & Maintenance - Factory
15-04-2013	Cash	civil work labour charges 6 to 12 april13		7,575 Repairs & Maintenance - Factory
15-04-2013	Cash	CASH PAID TO SRI. ANIRUDH REDDY SIR		10,040 Repairs & Maintenance - Factory
16-04-2013	Cash	CASH PAID TO SRI. G R REDDY		20,00,000 Commissions & Other Miscellaneous Business Expenses
17-04-2013	Cash	return of loan		1,00,000 Commissions & Other Miscellaneous Business Expenses
18-04-2013	Cash	unloading charges m s tank - sri venkata sh	3,000	Contra Entries & Other Advances
20-04-2013	Cash	cement hamali and transportation charges 200		650 Hamali Payments
20-04-2013	Cash	water curing labour charges - s tirupataiah		3,000 Hamali Payments
22-04-2013	Cash	manhole civil work labour charges 16 end 19 a		3,950 Commissions & Other Miscellaneous Business Expenses
22-04-2013	Cash	house keeping labour charges 13 to 19 april13		1,325 Repairs & Maintenance - Factory
22-04-2013	Cash	civil labour charges 13 to 19 april13 - k nag		9,975 Repairs & Maintenance - Factory
22-04-2013	Cash	cash paid to sri. g r reddy sir		11,505 Repairs & Maintenance - Factory
22-04-2013	Cash	cash received from chandra sekaran - scrap ac	13,00,000	1,50,000 Commissions & Other Miscellaneous Business Expenses
22-04-2013	Cash	cash received from raja reddy - scrap account	1,83,445	Scrap Realization
24-04-2013	Cash	cash received from sai techno tools	2,45,000	Scrap Realization
24-04-2013	Cash	cash received from sai techno tools	26,000	Scrap Realization
26-04-2013	Cash	paid to pavan sharma - temple		Scrap Realization
26-04-2013	Cash	house keeping labour charges 20 to 26 april13		1,000 Staff Welfare
27-04-2013	Cash	cash to be received from gvg - gift cm exp		9,750 Repairs & Maintenance - Factory
27-04-2013	Cash	water curing daily labour 20 to 26 april13 s		500 Commissions & Other Miscellaneous Business Expenses
27-04-2013	Cash	civil work labour charges 20 to 26 april13 sw		3,200 Commissions & Other Miscellaneous Business Expenses
27-04-2013	Cash	labour charges for earth pits - p srinivas		3,300 Repairs & Maintenance - Factory
27-04-2013	Cash	civil work labour charges - 20 to 26 april13		6,487 Commissions & Other Miscellaneous Business Expenses
02-05-2013	Cash	cash paid to sri. ramesh sir		11,745 Repairs & Maintenance - Factory
03-05-2013	Cash	compound wall repair - swamy		30,000 Contra Entries & Other Advances
03-05-2013	Cash	rolling shutters transporation charges - pasa		970 Commissions & Other Miscellaneous Business Expenses
03-05-2013	Cash	200 bags cement transportation charges - sale		1,500 Commissions & Other Miscellaneous Business Expenses
03-05-2013	Cash	200 bags cement unloading charges - excl pay		3,000 Commissions & Other Miscellaneous Business Expenses
03-05-2013	Cash	salary for the month of april13 - swamy		3,000 Commissions & Other Miscellaneous Business Expenses
03-05-2013	Cash	cash paid to sri. g r reddy sir		6,500 Staff Welfare
04-05-2013	Cash	road cement pipes work 13 nos - labour charg		65,000 Commissions & Other Miscellaneous Business Expenses
04-05-2013	Cash	fencing poles removing work - labour charges		1,600 Commissions & Other Miscellaneous Business Expenses
04-05-2013	Cash	daily labour - water curing 27/4 to 3/5/2013		3,800 Repairs & Maintenance - Factory
04-05-2013	Cash	wind power roof - labour charges - swamy		4,075 Commissions & Other Miscellaneous Business Expenses
04-05-2013	Cash	machines cleaning labour charges - 27-4-2013		4,400 Repairs & Maintenance - Factory
				9,450 Repairs & Maintenance - Factory

21. The description of these transactions as receipts as well as payments are also mentioned in the seized documents. However, neither the search party nor the Assessing Officer has made any effort to ascertain and bifurcate the transactions related to each of the entity and further the nature of these receipts and payments so as to arrive at the correct and net figure of unaccounted income in the hands of the assessee being escaped the assessment. Some of the transactions of receipts may not be in the nature of the income being the transactions of loan and similarly, some of the payment transactions may not be in the nature of the expenses, if the payments are in the nature of loans or advances in cash. Even if all the transactions of receipts are considered as income/revenue and all the payments are considered as the expenditure which are business receipts and expenditure and incidental for earning the said income duly recorded in the seized material, then only the net amount of these receipts and payments out of books can be regarded as unaccounted/ undisclosed income of the assessee. Taking only one side of the details on the part of the Department is a highly arbitrary. The Department cannot make an addition over and above the surrender of income made by the assessee during the course of search & seizure action if the said surrender of income itself is not based on the correct facts and backed by the seized material.

22. The question arises whether by initiating the proceedings u/s 148 of the Act, the condition as stipulated u/s

149(1)(b) of the Act are satisfied or not. For ready reference, section 149(1) of the Act is reprodued as under:

> *"**149.** (1) No notice under section 148 shall be issued for the relevant assessment year,*
>
> *(a) if three years have elapsed from the end of the relevant assessment vear, unless the case falls under clause (b);*
>
> *[(b) if three vears, but not more than ten years, have elapsed from the end of the relevant assessment year unless the Assessing Officer has in his possession books of account or other documents or evidence which reveal that the income chargeable to tax, represented in the form of*
>
> *i) an asset*
> *(ii) expenditure in respect of a transaction or in relation to an event or occasion; or*
> *(iii) an entry or entries in the books of account, which has escaped assessment amounts to or is likely to amount to fifty lakh rupees or more:*
>
> *Provided further that the provisions of this sub-section shall not apply in a case for the relevant assessment year beginning on or before 1st day of April, 2021 if a notice under section 148 or section 153A or section 153C could not have been issued at that time on account of being bevond the time limit specified under the provisions of clause (b) of sub-section (1) of this section or section 153A or section 153C, as the case may be], as they stood immediately before the commencement of the Finance Act, 2021:*
>
> *If a notice u/s 148 or section 153A or section 153C could not have been issued at that time on account of being beyondc the time limit specified under the provisions of clause (b) of sub-section (1) of this section or section or section 153A or section 153C, as the case may be, as they stood immediately before the commencement of the Finance Act, 2021.*
>
> *Provided further that the provisions of this sub-section shall not apply in a case, where a notice under section 153A, or section 153C read with section 153A is required to be issued in relation to a search initiated under section 132 or books of account, other documents or any assets requisitioned under section 132A, on or before the 31st day of March, 2021:*
>
> *Provided also that for cases referred to in clauses (1), (üi) and (iv) of Explanation 2 to section 148, where*
> *(a) a search is inilialed under section 132; or*

(b) a search under section 132 for which the last of authorisations 1s executed; or

(c) requisition is made under section 132A, after the 15th day of March of any financial vear and the period for issue of notice under section 148 expires on the 31st day of March of such financialyear, a period of fifteen days shall be excluded for the purpose of computing the period of limitation as per this section and the notice issued under section 148 in such case shall be deemed to have been issued on the 31st day of March of such financial year:

Provided also that where the informnation as referred to in Explanation to section 148emanates fromastatement recorded or documents imnpoundedunder section 131 or section 133A, as the case may be, on or before the 31stday of March of a financial year, in consequence of,

(a) a search under section 132 which is initiated; or
(b) a search under section 132 for which the last of authorisations is executed; or
(c) requisition made under section 132A, after the 15th day of March of such financial year, aperiod of fifteen days shall be excluded for the purpose of computing the period of limitation as per this section and the notice issuedunder clause (b) ofsection 148A in such caseshall be deemed to have been issued on the 31st day of March of such financial year:

Provided also that where the information as referred to in Explanation 1 to section 148 emanates fro,m a statement recorded or documents impounded u/s 131 or section 133A, as the case may be, on or before the 31st day of March of a finacial year, in consequence of:

(a) a search u/s 132 which is initiated; or
(b) a search u/s 132 for which the last of authorization is executed or
(c) a requisition made u/s 132A

Provided also that for the purposes of computing the period of limitation as per this section, the time or extended time allowed to the assessee, as per show-cause notice issued under clause (b) of section 148A or the period during which the proceeding under section 148A is stayed by an order or injunction of any court, shall be excluded:

Provided also that where immediately after the exclusion of the period referred to in the immediately preceding proviso, the period of limitation available to the Assessing Officer for

passing an order under clause () of section 148A does not exceed seven days], such remaining period shall be extended to seven days and the period of limitation under this sub-section shall be deemed to be extended accordingly.

Explanation *- For the purposes of clause (b) of this sub-section, "asset" shall include immovable property, being land or building or both, shares and securities, loans and advances, deposits in bank account.*

(1A) Notwithstanding anything contained in sub-section (1), where the income chargeable to tax represented in the form of an asset or expenditure in relation to an event or occasion of the value referred to in clause (b) of sub-section (1) has escaped the assessment and the investment in such asset or expenditure in relation to such event or occasion has been made or incurred, in more than one previous vears relevant to the assessment years within the period referred to in clause (b) of sub-section (1), a notice under section 148 shall be issued for every such assessment year or re-assessment or recomputation, as the case may be;

(2) The provisions of sub-section (1) as to the issue of notice shall be subject to the provisions of section 151."

22.1 Section 149 of the Act stipulates the limitation for issuing notice u/s 148. The normal time limit as provided u/s 149(1)(a) is 3 years from the end of the relevant A.Y. However, if the case which fall in the ambit of sub clause (b) of section 149(1) of the Act,the time limit is extended upto 10 years from the end of the relevant A.Y subject to the condition that material in the possession of the Assessing Officer including the books of account or other documents or evidence reveals that the income chargeable to tax is represented in the form of an asset, expenditure in respect of transaction or in relation to an event or an occasion, or an entry or entries in the books of account and further such income which has escaped the assessment amount to or likely amounts to fifty lakh rupees or more. In the case in hand, undisputedly the notice issued u/s 148 of the Act for the

A.Y 2014-15 to 2018-19 were issued after 3 years from the end of the relevant A.Y. Therefore, until and unless the conditions as stipulated in clause (b) of section 149(1) of the Act are satisfied, the notice issued u/s 148 of the Act would be invalid being bartred by limitation provided u/s 149(1) of the Act.

23. The Assessing Officer in the reasons recorded for reopening of the assessment stated that the income chargeable to tax represented in the form of an asset and an entry/entries in the books of account as per the prpovisions of section 149(1)(b) of the Act. Therefore, the Assessing Officer proposed to bring the case of the assessee in sub-clause(i) and sub-clause (iii) of clause (b) of section 149(1) of the Act. From the details of the transactions as found in the Laptop, it is clear that these are receipts and payments in cash and no corresponding cash or any other assets were found during the coruse of search and seizure action representing these enbtries. It is not the case of either party that these transactions as found in the Laptop in question are in respect of purchase or acquisition of any asset. Therefore, the business transactions of sale of scrap or commission income etc, as well as the expenditure incurred in relation to the business activity would not constitute of an asset in terms of section 149(1)(b) of the Act. It is also a matter of fact and record that these transactions as found in the Laptop in a software FOCUS 5.5 are not in the nature of any accounts much less the books of account. These are the simple details of cash receipts and cash payments in respect of the transaction of scrap sale etc, as well as payment towards expenditure and that too the consolidated details of the

entire Exel Group not a separate account of each company is maintained. Further, these are only the details of selective transaction in cash and not the transactions of other then cash. Therefore, these details found in the Laptop of the Sr. Accounts Manager, Shri Ramesh Kumar Sanaka would not constitute the books of account or parallel/duplicate books of account and consequently would not fall in the ambit of sub clause (iii) of clause (b) of section 149(1) of the I.T. Act.

24. Once the case of the assessee does not fall in the ambit of clause (b) of section 149(1) of the Act, then the reasons recorded by the Assessing Officer for reopening of the assessment giving the details of undisclosed income as quantified by the ADIT (Inv) Unit-I, reveals that the Assessing Officer has recorded his satisfaction in the reasons mechanically without application of mind so far as the correct amount of escaped income for each of the years and each of the companies. This non-application of mind at the time of recording the reasons also corroborated by the fact that in the assessment order, the Assessing Officer has determined the different amount of escaped income for each A.Y which is estimated in the ratio of turnover of each of the group companies from the total amount of cash receipts found in the Laptop of Shri Ramesh Kumar Sanaka, pertaining to the entire group. Even if for the sake of argument, it is presumed that the quantum of escaped income for each A.Y was more than Rs.50 lakhs and the Assessing Officer at the time of recording the reasons was not supposed to undertake a detailed or depth examination of evidence collected during the search, the prima facie undisputed fact is that the

details of unaccounted cash receipts and cash payments found during the course of search & seizure action were not specifically attributed to each of the group companies and further only the receipts found in the said seized material are taken into consideration for arriving to the conclusion that the income of more than Rs.50 lakhs for each of the companies has escaped assessment. The Assessing Officer has proceeded on the basis of the details provided by the ADIT (Inv) and not proceeded on the basis of the seized material containing these transactions of unaccounted cash receipts and payments. The reasons recorded by the Assessing Officer manifest that no such minimum verification was done by the Assessing Officer regarding the nature of the transaction, the net outcome of the receipt and payment as recorded in the said seized material, apportionment of the amounts of receipts and payments to each of the group companies to quantify the income escaped assessment for the A.Ys 2014-15 to 2018-19. Thus it is a simple case of non-application of mind and a borrowed satisfaction on the part of the Assessing Officer while recording the reasons for reopening.

25. Apart from the non-application of mind regarding the nature of the transaction, quantification of the income and allocation of the amounts of receipts and payment to each of the group companies, the Assessing Officer has though recorded that the income chargeable to tax represented in the form of an asset and an entry or entries in the books of account as per the provisions of section 149(1)(b) of the Act. However, not a single word is stated by the Assessing Officer either in the reasons

recorded for reopening of the assessment or in the assessment order to prima facie show that the income escaped assessment represents an asset and further what kind of an asset. Similarly, these details as recorded in the software Focus 5.5 in the Laptop of Shri Ramesh Kumar Sanaka do not constitute the entries in the books of account, therefore, two statement of the Assessing Officer in the reasons recorded for reopening of the assessment is very vague and without any basis. The Assessing Officer ought to have given the minimum description of the assets and the nature of the entries in the books of account so as to bring the case in the ambit of section 149(1)(b) of the Act, to the extent that the conditions provided in sub clause (i) and sub clause (iii) of clause (b) of section 149(1) of the Act satisfied. It is pertinent to note that the seized material in question is only a print out of the details found in the Laptop of Shri Ramesh Kumar Sanaka and none of the transactions as found in the seized material is representing any asset in existence at the time of the search & seizure action or even at the time of the assessment. It is not the case of the Department that any cash equivalent to the alleged undisclosed income/income escaped assessment was either found or converted into any other asset. Therefore, the Assessing Officer has completely failed to bring the case of the assessee in the ambit of sub clause (i) of clause (b) of section 149(1) of the I.T. Act. Further, the seized material is not in the nature of books of account, therefore, the details recorded in the seized material would not constitute as entry or entries in the books of account.

26. One more contention and point raised by the learned Counsel for the assessee is that the seized material was found from the possession of Shri Ramesh Kumar Sanaka in a separate search & seizure action and therefore, the case of the assessee does not fall in the first proviso to section 148A of the I.T. Act. We have already reproduced the search warrant/ authorization separately issued in the name of Shri Ramesh Kumar Sanaka for conducting a search at his residential premises. The search in the case of the assessee and other group concerns was carried out under a separate authorization and warrant of search. It is evident from the Panchanama and authorization separately given that there are two search and seizure operations conducted by the Department, one in the case of 5 companies of Exel Group of Companies including the assessee and another in the case of Shri Ramesh Kumar Sanaka, Sr.Accounts Manager of the Exel Group at his residential premises. Both these searches were also conducted at different placed. The only common thread between these 2 search operations is that Shri Ramesh Kumar Sanaka is a Sr. Accounts Manager of Exel group of companies, however, the said relation between Shri Ramesh Kumar Sanaka and the assessee company cannot obliterate the fact of 2 separate search & seizure operations. Section 148A casts an obligation on the Assessing Officer to conduct an inquiry with the prior approval of specified authority before issuing notice u/s 148 of the Act. However, the proviso to the said section carves out an exception in the cases where a search is initiated u/s 132 or books of account, other documents or any asset are requisitioned u/s 132A of the Act in the case of the assessee on or after 1/4/2021.

Therefore, only because of this proviso, the Assessing Officer need not to conduct any inquiry u/s 148A before issuing notice u/s 148 of the Act. In the case in hand, though the search was conducted in the case of the assessee u/s 132 of the Act on 4th January, 2023, however, the alleged incriminating material which is the basis of the initiation of proceedings u/s 147/148 of the Act is found and seized from the possession of Shri Ramesh Kumar Sanaka under a separate search & seizure operation. Thus, that being the case, the proceedings u/s 147/148 could be initiated only as per clause (b) and clause (c) of the proviso to section 148A of the Act. For ready reference, section 148A is quoted as under:

> *"148A. The Assessing Officer shall, before issuing any notice under section 148-,*
>
> *(a) conduct any enquiry, if required, with the prior approval of specified authority, with respect to the information which suggests that the income chargeable to tax has escaped assessment;*
> *(b) provide an opportunity of being heard to the assessee, by serving upon him a notice to show cause within such time, as may be specified in the notice, being not less than seven days and but not exceeding thirty days from the date on which such notice is issued, or such time, as may be extended by him on the basis of an application in this behalf, as to why a notice under section 148 should not be issued on the basis of information which suggests that income chargeable to tax has escaped assessment in his case for the relevant assessment year and results of enquiry conducted, if any, as per clause (a);*
>
> *(c) consider the reply of assessee furnished, if any, in response to the show-cause notice referred to in clause (b);*
>
> *(d) decide, on the basis of material available on record including reply of the assessee, whether or not it is a fit case to issue a notice under authority, section 148, by passing an order, with the prior approval of specified authority within one month from the end of the month in which the reply referred to in clause (c) is received by him, or where no such which reply is furnished, within*

one month from the end of the month in which time or extended time allowed to furnish a reply as per clause (b) expires:

Provided that the provisions of this section shall not apply in a case where,

(a) search is initiated u/s 132 or books of account, other documents or any assets are requisitioned u/s 132A in the case of the assessee on or after the 1st day of April, 2021: or

(b) the Assessing Officer is satisfied, with the prior approval of the Principal Commissioner or Commissioner that any money, bullion, Jewellery or other valuable article or thing, seized in a search under Section 132 or requisitioned under section 132A, in the case of any other person on or after the 1st Day of April, 2021, belongs to the assessee; or

(c) the Assessing Officer is satisfied with the prior approval of the Principal Commissioner or Commissioner that any books of account or documents, seized in a search under section 132 or requisitioned under section 132A, in case of any other person on or after the 1st day of April, 2021, pertains or pertain to, or any information contained therein, 70relate to, the assessee; or

(d) the Assessing Officer has received any information under the scheme notified under section 135A pertaining to income chargeable to tax escaping assessment for any assessment year in the case of the assessee.

Explanation.-For the purposes of this section, specified authority means the specified authority referred to in section 151.

Prior approval for assessment, reassessment or re-computation in certain cases.

148B. No order of assessment or reassessment or re-computation under this Act shall be passed by an Assessing Officer below the rank of Joint Commissioner, in respect of an assessment year to which clause () or clause (i) or clause (ii) or clause (iv) of Explanation 2 to section 148 apply except with the prior approval of the Additional Commissioner or Additional Director or Joint Commissioner or Joint Director."

27. Therefore, if the Assessing Officer has not followed the procedure as provided in clause (b) and clause (c) of the proviso to section 148A of the Act, and initiated proceedings on the premises that the case of the assessee falls under clause (a) of 1st proviso to section 148A, then the approval/sanction granted by the DG IT(Inv) u/s 151 of the Act is also not based on the verification and application of mind on the relevant record but merely accepting the proposal sent by the Assessing Officer seeking the approval/ sanction u/s 151 r.w section 148 of the Act. The first proviso to section 148A contemplates that no notice u/s 148 shall be issued unless there is information with the Assessing Officer which suggest income chargeable to tax has escaped the assessment in the case of the assessee for the relevant A.Y and the Assessing Officer has obtained prior approval of the specified authority to issue such notice. The Explanation (3) to section 148 explains that the specified authority means specified authority referred to in section 151 of the Act. Even otherwise, section 151 also provides the tax authorities which are specified authority for the purpose of section 148 and 148A of the Act. The term used in the heading of section 151 is “sanction for issue of notice”. Therefore, the approval u/s 151 of the Act is not a mere permission but it is a sanction for issuing notice u/s 148. In the case in hand, the DGIT (Inv) has granted the sanction to the proposal in the proforma sent by the Assessing Officer placed at page Nos. 35 to 37 of the paper book as under:

Annexure-A2

Proforma for approval by the Specified Authority

1.	Name of the assessee	**M/s Ace Tyres Private Limited**
2.	Address & e-Mail of the assessee	314 & 315, Coca Cola Road, Ameenpur Road, Bachupally Village, Hyderabad
3.	PAN	**AADCA2210N**
4.	Status	Company
5.	Circle/Ward/Range/CITCharge	Central Circle-1(2), Hyd
6.	Assessment year	2015-16
7.	The quantum of income which has escaped assessment	Rs.6,08,84,018/-
8.	Approval needed for (tick appropriate box)	☒ Order u/s148A(d) required for issuance of notice u/s148 ☒ Order u/s 148A(d) for dropping proceedings ☑ Issue of notice u/s 148 where there is no requirement for passing order u/s 148A(d)
9.	Time-limit for current proceedings covered under (tick appropriate box)	☒u/s149(1)(a)-for 3 years under ☑ u/s149(1)(b)-for more than 3 years but no more than 10 years
10.	Limitation date for issuance of notice u/s148	31-03-2026
11.	Whether the show-cause notice u/s148A(b) contains the details of the information, as per explanation-1 of Section148.	[~~Yes~~/~~No~~/NA]
12.	(i) Enquiry conducted (if any), u/s 148A(a) (ii) Whether the show-cause notice u/s 148A(b) contains the details of results of enquiry conducted u/s 148A(a).	[~~Yes~~/~~No~~/NA] [~~Yes~~/~~No~~/NA]
13.	Date of issue of show-cause notice to assessee u/s148A(b)	NA
14.	Date by which assessee was required to submit reply to show-cause notice u/s148A(b) or the final extended date.	NA
15.	Whether any reply received from assessee u/s 148A(b)?	[~~Yes~~/~~No~~/NA]
16.	Whether personal hearing requested by assessee	[Yes/No/NA] If yes, date(s) of hearing
17.	Whether the provision of Sec.150(1) are applicable.	[~~Yes~~/~~No~~/NA] If yes, relevant facts to be provided
18.	Reasons for the belief that income has escaped assessment.	As per enclosed Annexure

Date: 05.09.2023.

(36)

M/s ACE TYRES Pvt Ltd-AY: 2015-16

19.	Recommendations of the Addl / JCIT	As submitted in the proposal, **a warrant of authorization u/s 132 of the I.T. Act was executed on the assessee on 04.01.2023**. The AO has in his possession seized material which reveals that the assessee company received unaccounted cash receipts, scrap sales, cash generated from adjustment of purchase transactions and cash received on sale of lands, etc to the tune of Rs. 6,08,84,018/- for the AY: 2015-16. 2. Further, as the AO upon considering the facts and circumstances of the case decided that the present case is *'a fit case'* for issuance of notice u/s 148 of I.T.Act, as per clause (i) of explanation 2 of section 148, which also suggests that income to tune of Rs. 6,08,84,018/- chargeable to tax has escaped assessment, the proposal of AO deserves consideration. 3. In view of the above, approval may kindly be accorded by the Director General of Income Tax (Inv.), Hyderabad for issuance of u/s. 148 of the I.T Act.

Date: 08/09/2023

(M NAVEEN, IRS)
Additional Commissioner of Income Tax,
Central Range-1, Hyderabad.

20.	Recommendations of the CIT / PCIT	as per annexure attached.

Date:

(YOGESH KUMAR VERMA, IRS)
Principal Commissioner of Income Tax (Central),
Hyderabad.

21.	Reasons for according approval / rejection by the specified authority to order u/s 148A(d) and / or issuance of notice under section 148 of the Income Tax Act, 1961	Impugned amount is covered u/s 149(1)(b). Issue of notice u/s 148 is approved.

Date: 6/10/23

(SANJAY BAHADUR, IRS)
Director General of Income Tax (Inv),
Hyderabad.

28. Though there is a recommendation by the Pr. CIT, however, the sanction/approval granted by the DG reveals that it has concurred with the proposal that the impugned matter covered u/s 149(1)(b) of the Act and issue of notice u/s 148 is approved. This sanction/approval granted by the DGIT (Inv) Hyderabad in the light of the facts as discussed in the preceding part of this order clearly shows that the crucial aspects of the matter were overlooked while granting the sanction/approval. The seized material was found and seized from the possession of one Shri Ramesh Kumar Sanaka in a separate search & seizure operation which is the very basis of the initiation of the proceedings. However, the proceedings are initiated on the premises that the seized material is found from the possession of the assessee during the search & seizure operation of the assessee. The other glaring aspect of the matter is that only the receipt side of the details of the transactions found in the Laptop of Shri Ramesh Kumar Sanaka are taken into consideration without proper appropriation/allocation of these receipts to each of the group companies of Exel Group. The next important aspect was ignorance or wrong perception was formed by all the authorities right from the Assessing Officer to Pr. CIT and the DGIT (Inv) that case falls in section 149(1)(b) (ii) & (iii) without bringing anything brought on record to indicate that the alleged income escaped the assessment represents either an asset or entry/entries in the books of account of the assessee. We have discussed in the earlier part of this order that this case does not fall in the ambit of sub clause (i) or sub-clause (iii) of clause (b) of section 149(1) of the Act. The definition of the asset is provided in

Explanation to section 149(1) as reproduced in the foregoing part of the order which clarifies that for the purpose of clause (b) of section 149(1) of the Act, an asset shall include immovable property being land or building or both, shares and securities, loans and advances, deposits in the bank account. Though this is an inclusive definition, however, the asset as defined in the explanation bring into its fold movable property, shares or securities, loans or likewise assets. In the absence of any of these assets found during the search or recorded in the seized material, the case of the assessee does not fall in the sub clause (i) of clause (b) of section 149(1) of the Act. The Rajkot Bench of the Tribunal in the case of Mukesh Manekchand Shety vs. Dy. CIT in ITA No.581, 545 to 547.Rjt/2024 vide order dated 10/06/2025 has considered and decided an identical issue in para 40 as under:

> *"40. In the context of the above provisions of section 149(1)(b) of the Act vis-a- vis notice u/s 148 of the Act, it was submitted by learned Counsel that provisions of section 149(1)(b) of the Act, empowers an authority to issue notice u/s 148 of the Act, if the alleged income is represented by any asset or expenditure. It is apparent on the face of the show-cause notice(in brief "SCN"), that assessing officer is not certain, as to whether in assessee`s case, the alleged escaped income is represented by asset or expenditure, both these phrases have been issued in the Page | 30 ITA No.545-547, 581, 723-724/Rjt/2024 A.Ys16-17 to 19-20 Mukesh M.Sheth SCN. The reason and the belief as also the information leading to allegation of escapement of income must be clear and explicit at the initial stage itself prior to recording of the reasons and then issue of notice pursuant to the reasons. The show cause notice(SCN) having used both the phrases at a time, it suffers from vagueness and demonstrates absence of initial judgment itself, as to whether the information represents assessee`s asset or expenditure. As a result, the notice becomes bad in law and assessment order deserves to be quashed. The exercise of jurisdiction u/s the new sections 147 and 148 of the Act, is not meant to determine during reassessment, as to whether an item represents an asset or an expenditure or whether it exceeds the threshold of Rs. 50 lakhs. The said exercise is*

required to be carried out prior to or at the time of recording the satisfaction and the reasons and while obtaining the requisite approvals of higher authorities. Obviously, this has not been done and hence the notice suffers from an inherent jurisdictional lack of power. The assessee submitted before the assessing officer that in the assessee`s case, no 'asset' or 'expenditure' is identified in the entire Annexure (Reason) and hence, reopening of the case beyond the prescribed time-limit is patently illegal. The clause no. (b) of section 149(1) requires that the income chargeable to tax should be represented in the form of (i) an asset, (ii) expenditure in respect of a transaction or in relation to an event or occasion; or (iii) an entry or entries in the books of account. The reasons provided for issue of notice u/s 148 of the Act, bears a solitary allegation of receipt of 'on money', but the money has not been quantified in the reasons recorded. However, its representation in the form of an asset or an expenditure or an entry in the books of account is nowhere recorded in the reason for reopening. Hence, the notices u/s 148 (especially for assessment year 2016-17, 2017-18 and 2018-19) of the Act, which are issued without fulfilling the conditions of section 149(1)(b) of the Act, do not sustain in the eyes of law and hence, the consequential proceedings too, become bad in law.

29. Secondly, when the details found in the Laptop of Shri Ramesh Kumar Sanaka are not in the nature of entry or entries in the books of account, then ignoring this important and crucial aspect at the time of the approval/sanction granted by the DGIT (Inv.) clearly manifests non-application of mind.

30. In the case of CIT vs. Goyanka Lime & Chemical Ltd (2015) 56 Taxmann.com (MP), the Hon'ble Madhya Pradesh High Court has held in para 7 to 10 as under:

*"**7.** We have considered the rival contentions, and we find that while according sanction, the Joint Commissioner, Income Tax has only recorded so "Yes, I am satisfied". In the case of Arjun Singh (supra), the same question has been considered by a Coordinate Bench of this Court, and the following principles are laid down:—*

'The Commissioner acted, of course, mechanically in order to discharge his statutory obligation properly in the matter of recording sanction as he merely wrote on the format "Yes, I am satisfied" which indicates as if he was to sign only on the dotted line. Even otherwise also, the exercise is shown to have been performed in less than 24 hours of time which also goes to indicate that the Commissioner did not apply his mind at all while granting sanction. The satisfaction has to be with objectivity on objective material.'

8. *If the case in hand is analysed on the basis of the aforesaid principle, the mechanical way of recording satisfaction by the Joint Commissioner, which accords sanction for issuing notice under section 148, is clearly unsustainable and we find that on such consideration both the appellate authorities have interfered into the matter. In doing so, no error has been committed warranting reconsideration.*

9. *As far as explanation to Section 151, brought into force by Finance Act, 2008 is concerned, the same only pertains to issuance of notice and not with regard to the manner of recording satisfaction. That being so, the said amended provision does not help the revenue.*

10. *In view of the concurrent findings recorded by the learned appellate authorities and the law laid down in the case of Arjun Singh (supra), we see no question of law involved in the matter, warranting reconsideration."*

31. Thus, the Hon'ble High Court has held that granting the sanction mechanically in order to discharge the statutory obligation goes to indicate that the authority did not apply its mind while granting the sanction. The satisfaction has to be with the objectivity on the objective material. Therefore, the Hon'ble High Court has upheld the quashing of the notice u/s 148 on the ground of mechanical way of recording the satisfaction while granting sanction. The SLP filed by the Revenue was also dismissed by the Hon'ble Supreme Court reported in 237 Taxmann.com 378.

32. In the case of United Electrical Co. (P.) Ltd.*v.* Commissioner of Income-tax (Supra), the Hon'ble High Court has observed in para 19 and 20 as under:

> *"**19.** What disturbs us more is that even the Additional Commissioner has accorded his approval for action under section 147 mechanically. We feel that if the Additional Commissioner had cared to go through the statement of said V.K. Jain, perhaps he would not have granted his approval, which was mandatory in terms of proviso to sub-section (1) of section 151 of the Act as the action under section 147 was being initiated after the expiry of four years from the end of the relevant assessment year. As highlighted above, the Legislature has provided certain safeguards to prevent arbitrary exercise of powers by an Assessing Officer, particularly after a lapse of substantial time from completion of assessment. The power vested in the Commissioner to grant or not to grant approval is coupled with a duty. The Commissioner is required to apply his mind to the proposal put up to him for approval in the light of the material relied upon by the Assessing Officer. The said power cannot be exercised casually and in a routine manner. We are constrained to observe that in the present case there has been no application of mind by the Additional Commissioner before granting the approval.*
>
> ***20.** For the foregoing reasons, we allow the petition and quash the impugned notice dated 30 April 2002. The Rule is made absolute with no order as to costs."*

33. The Hon'ble High Court has discussed the purpose of safeguard provided to prevent the exercise of arbitrary powers of the Assessing Officer particularly after a lapse of substantial time from the completion of the assessment. The Hon'ble High Court has further observed that the Commissioner is required to apply his mind to the proposal put up to him for approval in the light of the material relied upon by the Assessing Officer. The said power cannot be exercised casually and in a routine manner. Therefore, the notice issued u/s 148 of the Act was quashed by the Hon'ble

High Court on the ground of non-application of mind by the authorities before granting the approval.

34. In the case of SBC Minerals (P.) Ltd. *v.* Assistant Commissioner of Income-tax (Supra), the Hon'ble Delhi High Court while considering an identical issue has held in para 14 and 15 as under:

> *"**14.** Perusal of the record reveals that the request for approval under section 151 of the Act in a printed format was placed before the Principal Chief Commissioner of Income-tax ["PCCIT"] on 20-3-2023. PCCIT granted the approval the same day. The approval accorded by the PCCIT in Column No. 22 is extracted below:-*

22	*Reasons for according approval/rejection by the specified authority to order u/s 148A(d) AND/OR issuance of notice under section 148 of the Income-tax Act, 1961?*	*Remarks: Approved u/s 148A(d) as a fit case. Name: RAJAT BANSAL Designation: PCCIT, DELHI Date: 20/03/2023*

> ***15.** It is evident that the approval order is bereft of any reasons. It does not even refer to any material that may have weighed in the grant of approval. The mere appending of the word "approved" by the PCCIT while granting approval under section 151 to the re-opening under section 148 is not enough. While the PCCIT is not required to record elaborate reasons, he has to record satisfaction after application of mind. The approval is a safeguard and has to be meaningful and not merely ritualistic or formal. The reasons are the link between material placed on record and the conclusion reached by the authority in respect of an issue, since they help in discerning the manner in which the conclusion is reached by the concerned authority. Our opinion in this regard is fortified by the decision of the Apex Court in Union of India v. Mohan Lal Capoor AIR 1974 SC 87. The grant of approval by PCCIT in the printed format without any line of reason does not fulfil the requirement of Section 151 of the Act.*

35. Therefore, if the approval/sanction granted by the specified authority does not refer to any material that may have weighted in grant of approval, then the same is found to be recorded without application of mind. The approval is a safeguard and has to be meaningful and not merely ritualistic or formal. The reasons are linked between the material placed on record and the conclusion reached by the authority in respect of an issue. The grant of approval without any line of reason does not fulfil the requirement of section 151 of the Act.

36. Similar view has been taken by the Hon'ble Andhra Pradesh High Court in case of Shri P Munirathnam Chetty and P Satyanarayana Chetty vs, Income Tax Officer (Supra) held as under:

> *"Having gone through the reasons given by the Income-tax Officer for starting the proceedings under section 147, I am unable to agree with the contention of the petitioner that reasons have not been recorded. In this connection, the learned advocate drew my attention to Chhugamal Rajpal v. S.P. Chaliha [1971] 79 ITR 603 , 607 (SC). In that case the Supreme Court held that the report of the Income-tax Officer did not fulfil the requirements of section 151(2). But, on a perusal of the facts of the case, it is found that they bear no resemblance to the facts of the present case. In that case, the Supreme Court observed, the Income-tax Officer does not set out any reason for coming to the conclusion that this is a fit case to issue notice under section 148. He vaguely referred to certain communications received by him from the Commissioner of Income-tax, Bihar and Orissa, without mentioning the facts contained in those communications. All that he has said was that from those communications it appeared that the alleged creditors are name-lenders and the transactions are bogus. The Income-tax Officer did not even come to a prima facie conclusion that the transactions to which he referred to are not genuine transactions. He appeared to have only a vague feeling that they may be bogus transactions. Further, in his report he stated, "hence proper investigation regarding these loans is necessary". In those circumstances the Supreme Court*

pointed out that the conclusion of the Income-tax Officer was that there was a case for investigation as to the truth of the alleged transactions which is not the same thing as saying that there are reasons to issue notice under section 148. In this case, however, the Income-tax Officer refers to the order of the sales tax authority determining a turnover at a higher figure and levying penalty for the suppression of turnover. On the basis that the turnover has been suppressed he was prima facie entitled to assume on the strength of the order of the sales tax authorities, the Income-tax Officer had reasonable grounds to say that there was omission or failure on the part of the assessee to disclose fully and truly the material facts necessary for the purpose of computation of the correct income. This is not a case where the Income-tax Officer merely thought that it is a case only for investigation as was the case before the Supreme Court nor is there any vagueness about his report.

It is then contended that the Commissioner ought to have exercised his mind and he must have been satisfied independently that this was a fit case for initiating proceedings under section 148 of the Act. By merely saying "Yes" against the column No. 8, Sri Dasaratharama Reddy argues that the Commissioner acted only as a rubber stamp and did not exercise his mind. He referred again to the same decision of the Supreme Court in which this aspect also is considered. In that case also under column 8 the Commissioner had merely marked "Yes". The Supreme Court observed that the Commissioner as well as the Income-tax Officer appeared to have taken the duty imposed on them under the provisions of sections 147 and 148 and 151 as of little importance and they had substituted the form for the substance. These observations of the Supreme Court will have to be considered in the context of the particular case with which they were dealing. As observed already they first came to the conclusion that the Income-tax Officer had no material before him which would satisfy the requirements of either section 147(a) or section 147(b) and the report submitted by him to the Commissioner did not mention any reason for coming to the conclusion that it is a fit case for the issue of a notice under section 148. When in those circumstances the Commissioner merely put the word "Yes" against the column 8, the Supreme Court observed that if only the Commissioner had read the report carefully he would never have come to the conclusion on the material before him that this is a fit case to issue notice under section 148. It cannot be said in the instant case that if the Commissioner had read the present report he would not have come to the conclusion that this is a fit case under section 148. It is to

> *be noticed that while the Act requires that the Commissioner should be satisfied, it does not require he should record his reasons for his satisfaction. It is true that if this court comes to the conclusion that the Commissioner could not have been satisfied at all having regard to the facts and circumstances of the case, the court would not hesitate to say that the requirements of section 151(2) are not satisfied even though the Commissioner might have said against column 8 that he was so satisfied. But, in this case, I am unable to say that the Commissioner could not have applied his mind or could not have been satisfied. The form like the one which is being used containing an endorsement merely saying "Yes" would justifiably cause apprehension that the act of the Commissioner is a mechanical act. In order to obviate this impression and to infuse more confidence in the assessee, it would be proper if the Commissioner also briefly states why he has given his sanction to the proceedings under section 147, thus avoiding all arguments in courts of law whether he applied his mind or he would have been satisfied in the circumstances of the case or not.*
>
> *The writ petition is dismissed but in the circumstances without costs."*

37. It was held by the Hon'ble High Court that merely putting the word 'yes' against the column would not satisfy the requirement of section 151 of the I.T. Act.

38. The Hon'ble Delhi High Court in the case of Pr. CIT vs. Pioneer Tower Planners Pvt. Ltd (456 ITR 356 (Del) has explained the proposition of law in para and 20 & 21 as under:

> *"**20.** This Court, while following Chhugamal Rajpal in the case of Ess Advertising (Mauritius) S. N. C. Et Compagnie v. Asstt. CIT (International Taxation) [2021] 128 taxmann.com 120/437 ITR 1 (Delhi)/[2021 SCC OnLine Del 3613], wherein, while granting the approval, the ACIT has written- "This is fit case for issue of notice under section 148 of the Income- tax Act, 1961. Approved", had held that the said approval would only amount to endorsement of language used in Section 151 of the Act and would not reflect any independent application of mind. Thus, the same was considered to be flawed in law.*

> ***21.*** *The salient aspect which emerges out of the foregoing discussion is that the satisfaction arrived at by the prescribed authority under section 151 of the Act must be clearly discernible from the expression used at the time of affixing its signature while according approval for reassessment under section 148 of the Act. The said approval cannot be granted in a mechanical manner as it acts as a linkage between the facts considered and conclusion reached. In the instant case, merely appending the phrase "Yes" does not appropriately align with the mandate of Section 151 of the Act as it fails to set out any degree of satisfaction, much less an unassailable satisfaction, for the said purpose."*

39. Therefore, the approval/sanction u/s 151 of the Act must exhibit the reasons for arriving to the satisfaction that it is a fit case for issuing notice u/s 148 of the Act. The approval granted cannot be in a mechanical manner as it acts as a linkage between the facts considered and conclusion reached.

40. The Amritsar Bench of the Tribunal in the case of Som Raj vs. Income Tax Officer in ITA No.628/ASR/2016 dated 21/02/2022 has considered the issue of validity of the approval/sanction u/s 151 of the Act in para 7 to 9 as under:

> *"7. We have heard the learned Authorized representatives for both the parties, perused the orders of the lower authorities and the material available on record, as well as considered the judicial pronouncements that have been pressed into service by them to drive home their respective contentions. In so far the claim of the learned AR, that the AO had in the body of the "reasons to believe" stated that the approval u/s 151 of the Act was to be obtained from the Commissioner of Income-tax (OSD), Range-VI, Pathankot, while for the same as per the form of approval was obtained from the Additional CIT, Range-VI, Pathankot is concerned, we are of the considered view, that the said assertion of the ld AR is based on misconceived and half-baked facts. As stated by the Ld DR, and rightly so, as the Commissioner of Income-tax Range-VI, Pathankot was at the relevant point of time holding the charge as that of the Additional CIT, Range-VI, Pathankot, therefore, it was incorrect*

on the part of the ld AR to claim that the AO had obtained the approval from an authority different from that as stated in the body of the "reasons to believe". We, thus, finding no substance in the aforesaid claim of the ld AR are constrained to reject the same.

8. Adverting to the claim of the ld AR, that the authority granting the sanction u/s 151 of the Act, viz. Addl. CIT, Range-VI, Pathankot had granted the approval in a mechanical manner, i.e, without application of mind, we find substance in the same. On a perusal of Column No. 12 of the form of approval wherein sanction had been granted by the Additional CIT, Range-VI, Pathankot, we find that the same reads as under :-

12	*Whether the Additional Commissioner of Income Tax is satisfied on the reasons record by the AO*	*Yes Sd/-*

In our considered view, a mere scribbling or stating "Yes" would by no means suffice the statutory requirement as contemplated in Sec. 151 of the Act, i.e, satisfaction on the part of the sanctioning authority, on the reasons recorded by the A.O, that it is a fit case for issuance of a notice u/s 148 of the Act. As provided in Section 151 of the Act, no notice u/s 148 is to be issued by an AO unless the specified approving authority is satisfied on the reasons recorded by the AO, that it is a fit case for the issue of such notice. In our considered view, the aforesaid statutory provision, viz. Section 151 had been made available on the statute by the legislature, as an inbuilt safeguard, or, in fact as a supervisory check over the work of the AO, particularly, in context of reopening of an assessment, so that an assessment be reopened by an A.O in exercise of the powers vested with him u/s 147 of the Act only after due application of mind, and if for some reason an error creeps into the exercise of the said power by the A.O, then, the superior officer, i.e, the authority specified in Sec. 151 of the Act is able to correct the same. It is for the aforesaid reason, that Section 151 requires an officer of the rank of a Joint Commissioner of Income-tax to oversee the decision of the AO where the return originally filed was assessed u/s 143(3) of the Act, and further, in a case where such reopening of an assessment is sought to be made after the expiry of a period of four years from the end of the relevant assessment year, then, the said obligation is shifted on a superior officer as therein contemplated. In our considered view, as the reopening of a case results to disturbing the finality of a concluded assessment, therefore, the authorities specified for granting of approval u/s 151 of the Act remain under a statutory obligation of clearly applying their mind on the "reasons to believe" recorded by the AO and, only after

being satisfied that it is a fit case for issuance of notice u/s 148, approve the same. In fact, the approving authority in discharge of his aforesaid statutory duty is obligated to record his satisfaction as regards the reasons recorded by the AO for reopening the case of the assessee, in a manner, which would reveal that as per him it is a fit case for issuance of notice u/s 148 of the Act. In our considered view, mere scribbling of "Yes" by the approving authority can by no means suffice the statutory obligation cast upon him for granting approval after due application of mind for issuance of notice u/s 148 of the Act by the AO, because, if that be so, then, the said statutory check on the part of the superior authorities would be rendered as mere an idle formality, nugatory or in fact nothing better than an eye wash, which would beyond any doubt defeat the very purpose for which the said supervisory jurisdiction of the superior authorities had been made available on the statute by the legislature. Our aforesaid conviction is supported by the recent order of this Tribunal in the case of Shri Charanjiv Lal Aggarwal, Prop. M/s. Premier Rubber Mills, Amritsar Vs. ITO, Ward-4(1), Amritsar, ITA No. 598/Asr/2015. Also, a similar view had been taken by this Tribunal in the case of S/shri Tralochan Singh & Narotam Singh Vs. ITO, Ward 1(4), Mansa in ITA Nos. 306 & 307/ASR/2019, dated 30.06.2021, wherein it was held as under:-

"12. As regards to the validity of the reassessment proceedings under section 147 r.w.s 148 of the Act, it is not in dispute that the A.O. is required to get the approval of the competent authority i.e; JCIT in the present case. Copy of the form for recording the reasons for initiating the proceedings under section 148 of the Act and for obtaining the approval of the JCIT is placed at page no. 2 & 3 of the assessee's paper book wherein at S.No. 12 relating to satisfaction of the JCIT on the reasons recorded by the ITO for issuing of the notice under section 148 of the Act. The JCIT, Range-1, Bathinda mentioned as under:

"Yes, it is a fit case to issue notice under section 148 of the Income Tax Act
Sd/-
P.K. Sharma JCIT, Range-1, Bathinda

12.1 From the aforesaid approval given by the JCIT, Range-1, Bathinda, it is clear that the satisfaction has been recorded in a mechanical manner, without applying the mind, for issuing the notice under section 148 of the Act.

13. An identical issue having similar facts has been adjudicated by this Bench of the ITAT in case of Shri Satnam Singh, Jalandhar Vs. ITO, Ward-1(4), Jalandhar in ITA No.

579/ASR/2019 for the A.Y. 2013-14 vide order dt. 29/06/2021 wherein by following the order dated 15/03/2021 in ITA No. 215/Chd/2020 for the A.Y. 2009-10 in the case of Shri Tek Chand, Karnal Vs. ITO, Ward-2, Kaithal, the issue has been decided in favour of the assessee and the relevant findings have been given in para 14 to 14.4 which read as under:

14. We have considered the submissions of both the parties and perused the material available on the record. In the present case it is noticed that the A.O. obtained the approval of the JCIT before issuing the notice under section 148 of the Act, proforma copy of which is placed at page no. 1 of the assessee's paper book, in the said Performa for recording the reasons for initiating the proceedings under section 147 / 148 of the Act and for obtaining the approval of the Ld. JCIT, it has been mentioned in column no. 11 as under:
" Yes it is approved for 148 action "
Sd/-
(Umesh Takyar) Joint Commissioner of Income Tax Range-1, Jalandhar"

From the aforesaid approval it is clear that the JCIT, Range-1, Jalandhar recorded the satisfaction in a mechanical manner without application of mind. He accorded the sanction for issuing notice under section 148 of the Act in a mechanical manner.

14.1 On a similar issue the Hon'ble Guwahati High Court in the case of Ladhuram Laxmi narayan Vs. ITO, Additional 102 ITR 595 (supra) held as under:
22. Sub-section (2) of Section 151 requires that before issuing a notice under Section 148, the Commissioner must be satisfied on the reasons recorded by the Income-tax Officer that it is a fit case for the issue of such notice. The submission of the learned counsel is that in the instant case there was no real satisfaction of the Commissioner or in other words there could not be satisfaction of the Commissioner as contemplated under Subsection (2) in the facts and circumstances of the case. In the column of the report whether the Commissioner was satisfied, the Additional Commissioner said " Yes ".

23. We have already found that the first ground given by the Income-tax Officer in his report praying for sanction for acting under Section 148 is admittedly a mistaken ground and, therefore, non-existent. That being so, the satisfaction of the Additional Commissioner in the instant case, so far as the first ground is concerned, is wholly mechanical without applying his mind.

It has further been held

24. Regarding the second ground, we find that the satisfaction could in law be only with respect to Clause (b) of Section 147 and that being so the notice issued on March 10, 1971, would be clearly barred under Section 149 of the Act.
25. In the result, in any view of the matter, we find that the impugned notice under Section 148 in the instant ease is bad in law and without jurisdiction. Accordingly, we quash the impugned notice dated March 10, 1.971, under Section 148 of the Act.

14.2 A similar view has been taken by the Hon'ble Andhra Pradesh High Court in the case of P. Munirathnam Chetty And P. Vs. ITO, C-Ward 101 ITR 385 (supra)wherein it has been held as under:

The form like the one which is being used containing an endorsement merely saying "Yes" would justifiably cause apprehension that the act of the Commissioner is a mechanical act. In order to obviate this impression and to infuse more confidence in the assessee, it would be proper if the Commissioner also briefly slates why he has given his sanction to the proceedings under Section 147, thus avoiding all arguments in courts of law whether he applied his mind or he would have been satisfied in the circumstances of the case or not.

14.3 On an identical issue the ITAT Chandigarh Bench "B" Chandigarh vide order dt. 15/03/2021 in ITA No. 215/Chd/2020 for the A.Y. 2009-10 in the case of Shri Tek Chand Vs ITO, Ward-2, Kaithal held as under:
14.1 The A.O. obtained the approval of the PR. CIT before issuing the notice under section 148 of the Act. The proposal dt. 11/03/2016 seeking the approval for issuance of notice under section 148 of the Act, by the A.O. is placed at page no. 2 & 3 of the assessee's paper book.

While giving the approval the Ld. PR. CIT, Karnal recorded as under:

" Yes, satisfied, it is a fit case for issue of notice under section 148"
Sd/-
Pr. CIT, Karnal

14.2 From the aforesaid approval, it is clear that the Ld. Pr. CIT recorded satisfaction in the mechanical manner, without application of mind to accord sanction for issuing notice under section 148 of the Act. On an identical issue the Hon'ble M.P. High Court in the case of CIT Jabalpur Vs. S. Goyanka

Lime & Chemical Ltd. reported at (2015) 56 Taxmann.com 390 by following its own decision in the case of Arjun Singh Vs. ADIT (2000) 246 ITR 363 (M.P) held as under:

7. We have considered the rival contentions, and we find that while according to sanction, the Joint Commissioner, Income Tax has only recorded so "Yes, I am satisfied". In the case of Arjun Singh (supra), the same question has been considered by a Coordinate Bench of this Court, and the following principles are laid down:--

The Commissioner acted, of course, mechanically in order to discharge is statutory obligation properly in the matter of recording sanction as he merely wrote on the format "Yes, 1 am satisfied" which indicates as if he was to sign only on the dotted line. Even otherwise also, the exercise is shown to have been performed in less than 24 hours of time which also goes to indicate that the Commissioner did not apply his mind at all while granting sanction. The satisfaction has to be with objectivity on objective material.

8. If the case in hand is analysed on the basis of the aforesaid principle, the mechanical way of recording satisfaction by the Joint Commissioner, which accords sanction for issuing notice under section 148, is clearly unsustainable and we find that on such consideration both the appellate authorities have interfered into the matter. In doing so, no error has been committed warranting reconsideration.

9. As far as explanation to Section 151, brought into force by Finance Act, 2008 is concerned, the same only pertains to issuance of notice and not with regard to the manner of recording satisfaction. That being so, the said amended provision does not help the revenue.
10. In view of the concurrent findings recorded by the learned appellate authorities and the law laid down in the case of Arjun Singh (supra), we see no question of law involved in the matter, warranting reconsideration.

14.3 Against the said order, the Hon'ble Apex Court dismissed the SLP filed by the Department and affirmed the order of the Hon'ble M.P. High Court in the case of CIT Vs. S. Goyanka Lime & Chemicals Ltd. (supra) held as under:

"that where Joint Commissioner recorded satisfaction in mechanical manner and without application of mind to accord sanction for issuing notice under section 148, reopening of assessment was invalid."

Apex Court in the aforesaid referred to case, are of the view that the reopening under section 148 of the Act on the basis of mechanical approval without applying Page | 13 Som Raj. Vs. ITO, Ward 6(3), Pathankot 14 the mind by the Ld. Pr.CIT was not valid. Therefore, in the present case, the reopening of the assessment on the basis of notice under section 148 of the Act is quashed.

14.4 In the present case also since the A.O. reopened the assessment under section 147 of the Act by issuing the notice under section 148 of the Act, on the basis of mechanical approval, without applying his mind, therefore the said approval was not valid and consequently the reopening of the assessment on the basis of said approval was not valid. We therefore quash the same. Since, we have decided the legal issue in favour of the assessee therefore no finding is given on the other grounds raised by the assessee on merit. 13.1 Since the facts of the present case are identical to the facts involved in the aforesaid referred to case of Shri Satnam Singh, Jalandhar Vs. ITO, Ward-1(4), Jalandhar in ITA No. 579/ASR/2019 for the A.Y. 2013-14, so respectfully following the aforesaid referred to order dt. 29/06/2021 the reopening of the assessment under section 147 of the Act by issuing the notice under section 148 of the Act is quashed. Since we have decided the legal issue in favour of the assessee therefore no finding is given on the other grounds raised by the assessee on merit."

Also, we find that a similar view had been taken by the ITAT, Chandigarh Bench in the case of Shri. Tek Chand Vs. The ITO, Ward-2, Karnal, ITA No. 255/Chd/2020, dated 15.03.2021. In the said case the approving authority, i.e., Principal CIT, Karnal had granted the approval for issuance of notice u/s 147 of the Act, as under:-

"Yes, satisfied, it is a fit case for issue of notice under section 148
-Sd/-
Pr. CIT, Karnal"

The Tribunal by drawing support from the judgments of the Hon'ble High Court of Madhya Pradesh in case of CIT Vs. S. Goyanka Lime & Chemical Ltd (2015) 56 taxmann.com 390 (MP) and that in the case of Arjun Singh Vs. Asst. DIT reported in (2000) 246 ITR 363 (MP), had observed, that as the reopening of the case of the assessee u/s 148 was on the basis of a mechanical approval, i.e, without application of mind by the Principal CIT. Therefore, the reopening of the case on the basis of the notice issued u/s 148 could not be sustained and was liable to be quashed. At this stage, we may herein observe, that the aforementioned judgment of the Hon'ble High Court of

Madhya Pradesh in the case of S. Goyanka Lime (supra) had thereafter been impliedly approved by the Hon'ble Supreme Court which had dismissed the Special Leave Petition (SLP) that was filed by the revenue in Commissioner of Income-tax, Jabalpur (MP) Vs. S. Goyanka Lime & Chemical Ltd. (2015) 64 taxmann.com 313 (SC). Also, we find that a similar view had been taken by ITAT, Amritsar Bench in the case of Shri Satnam Singh Vs. ITO, Ward-1(4), Jalandhar, ITA No. 579/Asr/2019 for AY 2013-14 vide its order dated 29/06/2021. In the case before the Tribunal, the approving authority had granted the approval by stating as under:-

" Yes it is approved for 148 action Sd/-
(Umesh Takyar) Joint Commissioner of Income Tax Range-1, Jalandhar."

On appeal, the Tribunal was of the view that as the JCIT, Range-1, Jalandhar had granted the approval in a mechanical manner, i.e, without application of mind, therefore, the reopening of the assessee's case was liable to be quashed for want of valid assumption of jurisdiction.

9. In the backdrop of the facts involved in the case of the assessee before us, we are of the considered view, that the issue herein involved, i.e., sustainability of the assessment in the backdrop of grant of approval u/s 151 in a mechanical manner, i.e, without application of mind by the approving authority, viz. Additional CIT-Range VI, Pathankot is in parity with those as were involved in the aforementioned judicial pronouncements. We, thus, in terms of our aforesaid observations, are of the considered view, that as in case of the assessee before us the prescribed authority, viz. Additional CIT-Range VI, Pathankot had granted the approval u/s 151 of the Act in a mechanical manner, i.e, without application of mind to the facts of the case as were there before him, therefore, the assessment framed by the AO u/ss. 147/143(3) of the Act, dated 24.02.2014 cannot be sustained and is liable to be vacated on the said count itself. Accordingly, for want of valid assumption of jurisdiction by the AO the assessment framed by him u/s 147/143(3) of the Act, dated 24.02.2014 is herein quashed."

41. Therefore, in view of the fact that notice issued u/s 148 of the Act in respect of A.Ys 2014-15 to 2018-19 after the expiry of 3 years from the end of the A.Y, the approval of the specified authority granted in a mechanical way renders the

reopening of the assessment itself bad in law. Accordingly, in view of the facts and circumstances as cited above and various decisions as stated above, we hold that the reopening of the assessment is not valid and liable to be set aside. Apart from the invalid approval/sanction u/s 151 of the Act, the Assessing Officer has also failed to bring the case in the category where mandatory conditions u/s 149(1)(b) of the Act are satisfied for initiation of proceedings u/s 147/148 of the Act after the expiry of 3 years from the end of the relevant A.Ys and therefore, the reopening of the assessment for want of the satisfaction of mandatory condition u/s 149(1)(b) of the Act is also invalid and liable to be quashed. We order accordingly.

ITA No.1207/Hyd/2025 A.Y 2019-20

42. The assessee has raised the following grounds of appeal:

> *"1. On the facts and circumstances of the case, the Learned CIT(A) erred in both law and facts while passing the Order.*
>
> *2. On the facts and circumstance of the case, Learned CIT(A) is not justified in dismissing the ground that the issue of Notice U/ s 148 by the Assessing Officer is without Jurisdiction.*
>
> *3. On the facts and circumstances of the case, Learned CIT(A) is not justified in dismissing the ground that the issue of Notice U/ s 148 by the Assessing Officer is bad in law as the Assessing Officer has not fulfilled the prescribed conditions laid down under Section 148 and consequently the Assessment is void abinitio.*
>
> *4. On the facts and circumstances of the case, Learned CIT(A) is not justified in dismissing the ground that the notice issued U/ s 148 and consequent Assessment is in valid in law as the Assessing Officer has not complied the provisions of Section 149 of the Income Tax Act.*

5. On the facts and circumstances of the case, Learned CIT(A) erred in dismissing the legal grounds.

6. On the facts and circumstance of the case that the assessment order Passed u/s 143(3) read with Section 148 is vitiated and has become unsustainable in law since the approval u/s 148B has been accorded by Addl CIT/ JCIT(Range head in a mechanical manner.

7. On the facts and circumstance of the case, sanction under Section 151 of the Act, has been granted mechanically and without satisfaction that how it fits under Section 149(1)(b)(i) and Section 149(1)(b)(ii). Accordingly grant of sanction is liable to be declared as nullity and invalid and resultantly, impugned notice under Section 148 is bad in law.

Modified Ground No.7

On the facts and circumstance of the case, sanction under Section 151 of the Act, has been granted mechanically and without satisfaction that how it fits under Section 149(1)(b)(i) and Section ***149(1)(b)(iii)****. Accordingly grant of sanction is liable to be declared as nullity and invalid and resultantly, impugned notice under Section 148 is bad in law.*

8. On the facts and circumstance of the case, Learned CIT(A) is not justified in sustaining the addition of Rs.58,48,529/ -.

9. Any other ground or grounds that may be urged at the time of hearing of the appeal. "

43. So far as the facts and circumstances leading to the initiation of the proceedings u/s 147/148 of the Act are concerned, the same are common for all the A.Ys from 2014-15 to 2019-20. Therefore, the same are not required to be repeated here. Only new fact for the year under consideration is that initially, the Assessing Officer issued notice u/s 148 on 18/03/2023 in response to which the assessee has filed the return of income on 15/11/2023. However, the Assessing Officer dropped the re-assessment initiated vide notice u/s 148 dated 18/03/2023 and issued a fresh notice u/s 148 on 14/11/2024.

Thus, the assessee has challenged the notice issued by the Assessing Officer u/s 148 on 14/11/2024 which is after 3 years from the end of A.Y under consideration on the similar grounds and contention as raised against this notice u/s 148 for the A.Y 2014-15 to 2018-19 as well as on the ground that in the absence of any fresh material after dropping of the earlier proceedings, the Assessing Officer has no jurisdiction to issue a 2nd notice u/s 148 of the Act. Further, the assessee has also challenged the validity of the second notice issued u/s 148 dated 14/11/2024 on the ground that while issuing this notice, the Assessing Officer cannot assume jurisdiction as per the proviso to section 148A of the Act. The learned Counsel for the assessee has submitted that once the original proceedings initiated vide notice u/s 148 dated 18/03/2023 were dropped by the Assessing Officer, then the second notice issued u/s 148 on 14/11/2024 is invalid as the Assessing Officer has not followed the procedure in accordance with the provisions of section 148A of the Act. The Assessing Officer was required to issue a notice u/s 148A(b) and then was to pass an order u/s 148A(d) of the Act before issuing notice u/s 148 of the Act.

44. The next contention of the learned Counsel for the assessee is that the sanction was required to be taken u/s 151 of the Act from the Pr. Chief Commissioner and not from the Director General of the Income Tax.

45. On the other hand, the learned DR has submitted that the Assessing Officer has dropped the proceedings initiated vide notice u/s 148 dated 18/03/2023 due to technical reason of not issuing notice u/s 143(2) of the Act within the period of limitation and therefore, the 2nd notice u/s 148 was issued based on the same material/information in the possession of the Assessing Officer arising from the search & seizure action and hence, the proviso to section 148A is applicable for issuing 2nd notice u/s 148 of the Act. Thus, the learned DR has submitted that there is no infirmity or illegality in the notice issued by the Assessing Officer u/s 148 dated 14/11/2023.

46. We have considered the rival submissions as well as the relevant material available on record. The Assessing Officer has given the reasons for reopening of the assessment placed at page No.25 to 27 of the paper book as under:

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
INCOME TAX DEPARTMENT
OFFICE OF THE DEPUTY
COMMISSIONER OF INCOME TAX,
CENTRAL CIRCLE
CENTRAL CIRCLE-1(2)
HYDERABAD

To,

ACE TYRES PRIVATE LIMITED
SY.NO.314/315 AMEENPUR ROAD,QUTUBULLAPUR
MANDAL BACHUPALLY VILLAGE
HYDERABAD 500072.Telangana
India

PAN:	Assessment Year:	Dated:	DIN & Letter No :
AADCA2210N	**2019-20**	**28/12/2024**	**ITBA/AST/F/17/2024-25/1071655232(1)**

Sir/ Madam/ M/s,

Subject: Reasons for reopening of assessment proceedings u/s.147

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.

Notice u/s.148 was issued originally on 18.03.2023 requiring the assessee to file return of income within 30 days from the receipt of the notice. However, there was no response from the assessee. Subsequently, a notice u/s.142(1) was issued on 15.06.2023 calling for certain information on or before 30.06.2023. The assessee vide letter dated 11.09.2023, citing certain reasons, has sought time upto third week of October'2023 to submit return of income as called for vide this office notice u/s.148, dated 18.03.2023. However, the assessee did not file the return within time limits sought by. Finally, the assesse filed return of income u/s.148 on 15.11.2023 and the same was considered for re-assessment proceedings u/s.147. However, as the notice u/s.143(2) was not issued by this office within stipulated time limits by oversight, the assessment proceedings initiated u/s.147 for the A.Y.2019-20 were dropped on 27.09.2024, to reopen the assessment proceedings afresh.

Accordingly, notice u/s.148 was issued on 14.11.2024. The reasons recorded for issuing the notice dated 14.11.2024 are as under:

A search and seizure operation u/s 132 of the IT Act was carried out by the ADIT(Inv.) Unit-I(1), Hyderabad on 04.01.2023 covering the group cases of M/s. Exel Rubber Group and related entities/individuals. The case of the assessee **M/s. Ace Tyres Private Limited**, a group company, in which search u/s. 132 was conducted on 04.01.2023 was centralized to this Office ACIT, Central Circle-1(2), Hyderabad.

2. During the search proceedings, details of various unaccounted cash receipts, viz.,

Note: If digitally signed, the date of digital signature may be taken as date of document.
,AAYKAR BHAWAN, OPPOSITE LB STADIUM, BASHEER BAGH, HYDERABAD, HYDERABAD, Telangana, 500004
Email: HYDERABAD.DCIT.CEN2@INCOMETAX.GOV.IN,

scrap sales, cash generated from adjustment purchase transactions, etc. were found and seized. After analysis of the seized material and investigation, the ADIT(Inv.), Unit I(1), Hyderabad has quantified the undisclosed income detected in the hands of the assessee company M/s. Ace Tyres Private Limited, as under:

Asst. Year	Undisclosed income quantified by ADIT	Additional income admitted by the assessee out of the undisclosed income detected.
2014-15	1,62,60,027	1,13,43,528
2015-16	6,08,84,018	4,24,74,689
2016-17	17,43,34,114	12,16,21,199
2017-18	8,21,89,996	5,73,38,438
2018-19	9,79,67,978	6,83,45,676
2019-20	**3,78,69,796**	**2,64,19,212**
2020-21	5,95,94,164	4,15,74,845
2021-22	3,00,82,983	2,09,86,875
2022-23	114,26,53,017	85,36,56,501
2023-24	1,61,80,065	1,12,87,744
	171,80,16,158	125,50,48,707

3. In view of the above, there is information which suggests that income chargeable to tax has escaped assessment in the case of the assessee company and this office is in possession of books of accounts or other documents or evidence which reveal that the income chargeable to tax represented in the form of an asset and an entry or entries in the books of account, as per the provisions of Sec. 149(1)(b) of the Act, which has escaped assessment amounts to more than Rs. 50 lakhs for the A.Y. 2019-20. Further, a search has been initiated in the case of the assessee, as per the Explanation-2 to Section 148, the

47. It is clear from the above reasons recorded by the Assessing Officer that the notice u/s 148 of the Act was initially issued on 18/03/2023 was dropped by the Assessing Officer and thereafter, a fresh notice u/s 148 was issued on 14/11/2024. Undisputedly, the re-assessment order passed by the Assessing Officer is in pursuant to the notice u/s 148, dated 14/11/2024 and therefore, the reopening of the assessment for the A.Y 2019-20 was also after the expiry of 3 months from the end of the A.Y under consideration. The Assessing Officer has given identical reasons for reopening of the assessment as recorded for the reopening of the assessments for the A.Y 2014-15 to 2018-19. Therefore, so far as the validity of the reopening of the assessment for the A.Y 2019-20 as considered to the extent of the common facts and circumstances to the reopening of the assessment for the A.Y 2014-15 to 2018-19 is concerned, our finding on this issue for the A.Y 2014-15 is applicable mutatis-mutandis for the year under consideration and consequently, the notice issued u/s 148 of the Act on 14/11/2024 is held as invalid and liable to be quashed.

48. Since this notice u/s 148 of the Act, dated 14/11/2024 was issued after dropping the proceedings initiated by the Assessing Officer vide notice u/s 148 dated 18/03/2023, therefore, in our considered opinion, the Assessing Officer cannot initiate the fresh proceedings u/s 147/148 of the Act on the basis of the same material and facts after the proceedings initiated earlier vide notice u/s 148A of the Act dated 18/03/2003 were dropped by the Assessing Officer. The reasons for dropping of the

proceedings were not beyond the control of the Assessing Officer. The Assessing Officer has given the reasons that notice u/s 143(2) was issued, however, non-issuance of notice u/s 143(2) leads to the inference and conclusion that the Assessing Officer did not choose to scrutinize the return of income filed by the assessee in response to the notice issued by the Assessing Officer u/s 148 dated 18/11/2023 and thus, proceedings stands dropped/closed by accepting the return of income. In the absence of fresh material or change in the facts, the Assessing Officer cannot be allowed to reinitiate the proceedings already dropped by issuing a second notice u/s 148 of the Act and that too when the reasons for dropping of the earlier proceedings was not beyond the control of the Assessing Officer. Therefore, we are of the considered view that the notice issued u/s 148 on 14/11/2024 after dropping the proceedings initiated vide notice u/s 148 issued on 18/03/2023 is invalid and liable to be quashed on this ground alone. We order accordingly.

49. In the result, appeals of the assessee for the A.Ys 2014-15 to 2019-20 are allowed.

Order pronounced in the Open Court on 24th September, 2025.

Sd/-	Sd/-
(MANJUNATHA, G.) **ACCOUNTANT MEMBER**	**(VIJAY PAL RAO)** **VICE-PRESIDENT**

Hyderabad, dated 24th September, 2025

Vinodan/sps

Copy to:

S.No	Addresses
1	M/s. Ace Tyres (P) Ltd Survey No.314/315 Ameenpur Road, Qutubullapur Mandal, Bachupally Village, Hyderabad 500072
2	ACIT Central Circle 1(2) Aayakar Bhavan, Opp: LB Stadium, Basheerbagh, Hyderabad 500004
3	Pr. CIT – Central, Hyderabad
4	DR, ITAT Hyderabad Benches
5	Guard File

By Order