अपीलीय अधिकरण 'बी' न्यायपीठ, चेन्नई
IN THE INCOME-TAX APPELLATE TRIBUNAL 'B' BENCH, CHENNAI

श्री यस यस विश्वनेत्र रवि, न्यायिक सदस्य एवं श्री गगन गोयल, लेखा सदस्य के समक्ष
BEFORE SHRI SS VISWANETHRA RAVI, JUDICIAL MEMBER AND
SHRI GAGAN GOYAL, ACCOUNTANT MEMBER

आयकर अपील सं./**I.T.A. Nos. 3832, 3833, 3834, 3835, 3836 & 3837/Chny/2026**
निर्धारण वर्ष/Assessment Years: 2019-20, 2020-21, 2021-22, 2022-23, 2023-24 & 2024-25

Deputy Commissioner of Income Tax, Central Circle -2(4), Chennai – 034.	Vs.	Eco Protection Engineers Private Limited, Plot No. 943, 54th Street TVS Colony, Anna Nagar, Western Extn S.O, Anna Nagar West, Chennai – 600 101. **[PAN: AACCE-2151-P]**
(अपीलार्थी/Appellant)		(प्रत्यर्थी/Respondent)

अपीलार्थी की ओर से / Appellant by	:	Mr. C. Sivakumar, CIT
प्रत्यर्थी की ओर से/Respondent by	:	Mr. R. Venkata Raman, CA
सुनवाई की तारीख/ Date of hearing	:	06.10.2026
घोषणा की तारीख /Date of Pronouncement	:	28.10.2026

आदेश /O R D E R

PER S.S. VISWANETHRA RAVI, JUDICIAL MEMBER:

These appeals filed by the revenue are directed against common order dated 03.03.2026 passed by the ld. Commissioner of Income Tax (Appeals), Chennai-19, for the assessment years 2019-20 to 2024-25.

2. Since issues raised in these appeals of the revenue are similar based on the same identical facts, with the consent of both the parties, we proceed

to hear the appeals together and pass consolidated order for the sake of convenience.

3. The ld.DR for convenience requested to take the appeal in ITA No. 3833/Chny/2026 for AY 2020-21 as a lead case. The ld.AR reported no objection. Accordingly, we proceed to hear the appeal in ITA No. 3833/Chny/2026 for AY 2020-21 as a lead case.

First we shall take up ITA No. 3833/Chny/2026 for AY 2020-21:

4. We find that this appeal was filed with a delay of 34 days. The revenue filed an affidavit explaining the reasons to condone the said delay. On perusal of the same and upon hearing both the parties, we find the reasons stated by the revenue are bonafide which really prevented the revenue in filing the appeal in time. Thus, delay of 34 days condoned.

5. The brief facts of the case as emanating from the records are that the assessee is a private limited company engaged in the business of executing multidisciplinary engineering and Engineering, Procurement and Construction (EPC) contracts, particularly in the fields of water management, waste water treatment and solid waste management projects. Further, the assessee undertakes engineering and infrastructure projects involving procurement of materials, execution of civil and engineering works and engagement of subcontractors for carrying out various components of the projects awarded to it. The assessee filed its original return of income u/s.139(1) of the Act on 28.01.2021, declaring a total income of Rs.19,05,31,950/-. Subsequently, a search and seizure operation u/s.132 of the Act was conducted on 05.04.2024 at the business premises of the assessee and other connected premises, including the residential premises of its director, Shri Chinnasami Chandrasekar. During the course of the said search, the Investigation Wing

seized various books of account, documents and electronic devices, including the mobile telephone and office laptop belonging to Shri T. Devarajulu, who was functioning as Manager, Accounts and Taxation of the assessee company. Further, statements on oath u/s.132(4) of the Act were recorded from Shri T. Devarajulu and Shri Chinnasami Chandrasekar. The Investigation Wing also examined WhatsApp conversations, electronic spreadsheets and other documents allegedly indicating that certain payments made by the assessee towards purchases and subcontract expenditure had been routed through various parties and returned in cash after deduction of commission. Consequent upon the search proceedings, the assessee's case was centralised with the Deputy Commissioner of Income Tax, Central Circle-2(4), Chennai. Thereafter, with the approval stated in the assessment order to have been obtained from the Director General of Income Tax (Investigation), Chennai, the AO issued a notice u/s.148 of the Act on 06.11.2024 for reopening the assessment for the assessment year under consideration. In response to the notice issued u/s.148 of the Act, the assessee furnished its return of income on 23.01.2025, declaring a total income of Rs.20,55,31,950/-, as against Rs.19,05,31,950/- originally returned, by admitting an adhoc estimated disallowance of Rs.1,50,00,000/-. Thereafter, the AO issued a notice u/s.143(2) of the Act dated 29.01.2025, a notice u/s. 142(1) of the Act on 20.12.2024 calling upon the assessee to furnish various particulars and supporting documents. A show-cause notice was issued on 22.01.2025, and the assessee furnished explanations and supporting materials during the course of the reassessment proceedings. The main dispute arising during the reassessment proceedings concerning the genuineness of certain purchases and subcontract expenses claimed by the assessee. The AO proceeded on the premise that the search proceedings had revealed that expenditure was allegedly inflated through accommodation entries, with the corresponding amounts being received back in cash after payment of commission to

intermediaries and other parties. It contended that materials had actually been purchased and utilised in the execution of projects and the subcontractors had performed work which was supported by documentary evidence, including records maintained or certified by Government authorities. The assessee also sought to explain the circumstances in which certain statements had been recorded during the search and relied upon the subsequent explanations and retractions furnished in relation thereto. Consideration of the seized materials, statements and various supporting documents furnished during the assessment proceedings for substantiating the purchases and sub contract payments, the AO estimated 40% of the purchases made from certain identified vendors and 40% of the subcontract expenditure booked in the names of certain identified subcontractors as inflated expenditure. Accordingly, the AO completed the assessment u/s.147 r.w.s 143(3) of the Act on 30.03.2025, determining the total income of the assessee at Rs.28,16,83,974/-, as against Rs.20,55,31,950/- inter alia, making addition disclosed in the return furnished in response to the notice u/s.148 of the Act.

6. We note that the AO discussed both the issues in detail with reference to the alleged seized material, explanation of the assessee etc in the assessment order, the substance of which is reproduced herein under for better reference:

> *"During the course of the search conducted at the business premises of the assessee at Anna Nagar West Extension, Chennai, the Investigation Wing examined the iPhone 14 Pro mobile telephone belonging to Shri T. Devarajulu, Manager, Accounts and Taxation. The said mobile telephone was analysed and seized under Annexure ANN/VD/EPE/ED/S. On examination of the WhatsApp conversations contained in the mobile telephone, the Investigation Wing noticed certain communications with a contact saved under the name "Jothi Tuition". According to the AO, the messages contained references to payments through banking channels and arrangements for delivery of cash involving certain business concerns, including Eswar Exports, Vishesh Marketing and Om Sakthi Steels. The relevant WhatsApp conversations were shown to Shri T. Devarajulu during the recording of his sworn statement u/s.132(4) of the Act and he was called upon to explain their contents.*

As recorded in the assessment order, Shri T. Devarajulu confirmed that the conversations had been retrieved from his mobile telephone and that they related to communications exchanged between him and Shri Jothi Kumar, a person allegedly acting as an intermediary for arranging cash transactions. The AO recorded that Shri T. Devarajulu explained the alleged modus operandi to the effect that Shri Jothi Kumar would provide particulars of bank accounts of certain parties to whom payments were to be made through RTGS. Upon the transfer of funds and communication of the payment particulars, corresponding cash, after deduction of commission, would allegedly be arranged and delivered.

On the basis of the aforesaid statement and electronic conversations, the AO inferred that the assessee company, through its director Shri C. Chandrasekar and its employee Shri T. Devarajulu, had utilised the services of intermediaries to obtain cash against payments made through banking channels. According to the AO, the payments were recorded in the books as purchases or other business expenditure, thereby inflating the expenditure debited to the profit and loss account.

The Investigation Wing also noticed WhatsApp conversations with another contact saved as "Sivakasi". These conversations were shown to Shri T. Devarajulu, who, according to the assessment order, identified the person concerned as Shri Nivas, associated with concerns including Durga Agencies and Ishaa Traders. The AO recorded that Shri Nivas allegedly informed Shri T. Devarajulu whenever cash was available and that payments were thereafter made through RTGS to the accounts of the concerns associated with him, following which cash was allegedly delivered to the assessee company.

Shri T. Devarajulu was further required to furnish particulars of the persons with whom he regularly dealt in connection with such transactions. The statement reproduced in the assessment order contained references to Shri Nivas, Shri Balaji, Shri Gnanaselvam and Shri Jothi Kumar, together with the names under which their contact details were saved in his mobile telephone. The AO further recorded that Shri T. Devarajulu furnished a list of 66 entities in Annexure-4 to his sworn statement, which, according to the Investigation Wing, had allegedly been utilised for obtaining accommodation entries and arranging cash against payments made through banking channels.

During post-search enquiries, the Investigation Wing also examined Shri Jothi Kumar, who furnished particulars of certain concerns allegedly involved in arranging such transactions, including Ambika Traders, Vishesh Marketing, Sai Ganesh Steel & Cements, Kannan Hardwares, Ponganapathy Traders and Viji Plywood. The assessment order records that Shri Jothi Kumar referred to commission being received in connection with such arrangements.

The Investigation Wing also recorded the sworn statement of Shri Chinnasami Chandrasekar, director of the assessee company, u/s.132(4) of the Act. During the recording of the statement, the director was confronted with the WhatsApp conversations and extracts of the statement of Shri T. Devarajulu. As reproduced in the assessment order, the director stated that the company had occasion to generate cash for meeting certain incidental expenditure which could not be claimed in its regular books of account. He further stated that certain entities had been utilised for routing funds through payments described as purchases or subcontract expenses, followed by receipt of cash. At the same

time, the director specifically stated that genuine payments had also been made to the concerned parties on several occasions and that the company would produce the relevant supporting documents to establish the genuineness of such transactions.

The AO also referred to the verification of purchase invoices found at the business premises. According to the AO, certain invoices issued by the vendors identified during the search did not contain sufficient particulars regarding actual supply of materials and were not accompanied by goods delivery notes, signatures of site in-charges, weighment slips or other documents evidencing the movement of goods. The invoices found during the search were stated to have been seized under Annexure ANN/KK/ECO/B&D/S dated 29.05.2024. The AO considered the deficiencies noticed in the invoices, together with the WhatsApp conversations and sworn statements, as corroborative material supporting the allegation of inflation of purchase expenditure.

Based on the statements recorded during the search, electronic records and subsequent examination of the Tally accounts, the AO prepared a list of vendors whose transactions were considered suspicious. The AO examined the purchases recorded in the names of these vendors for the financial years 2018–19 to 2023–24. The total purchases recorded in the names of the identified vendors for the six financial years were quantified at Rs.1,18,38,42,124/-. The financial-year-wise amounts appearing in the assessment order are as follows:

Financial year	***Purchases identified by AO (Rs.)***
2018–19	*7,15,32,532*
2019–20	*16,22,85,810*
2020–21	*35,47,48,902*
2021–22	*22,56,58,900*
2022–23	*22,09,45,999*
2023–24	*14,86,69,981*
Total	*1,18,38,42,124*

Insofar as the assessment year 2020–21 was concerned, the AO identified purchases aggregating to Rs.16,22,85,810/- made during the relevant previous year from the vendors considered to be connected with the alleged accommodation-entry arrangement. The vendors identified for the relevant financial year included, among others, Papa Traders, Om Sakthi Traders, Bharath Enterprises, Durga Agencies, Shri Krishna Electricals, M. Sachithananthan & Co., Om Sakthi Steels, Athirstam Traders, Sai Steels, Kumar Traders, Vishesh Marketing, Ishaa Traders, Janani Constructions, Kumar Electricals, Ambika Traders and other concerns appearing in the statement annexed to the assessment order.

Initially, the AO proposed to treat the entire purchases of Rs.16,22,85,810/- as bogus and called upon the assessee to explain why the said expenditure should not be disallowed. In response, the assessee furnished a detailed explanation on 12.02.2025. It drew attention to the statement of its Managing Director recorded during the search, particularly

the assertion that the payments made to the identified parties were not uniformly fictitious and that substantial genuine purchases and subcontract transactions had taken place. The assessee contended that the allegations made during the search could not, by themselves, establish that all purchases from the identified parties were bogus. It requested an opportunity to establish the genuineness of the transactions through documentary evidence. The assessee further explained that the statements recorded during the search had been made in circumstances which, according to it, required clarification. It referred to the subsequent explanation of the director and the retraction of the statement made by Shri T. Devarajulu. The assessee maintained that the allegations of bogus purchases were arbitrary and unsupported by adequate corroborative evidence insofar as genuine business transactions were concerned.

The AO accepted the assessee's request for an opportunity to substantiate the purchase transactions. Thereafter, the assessee furnished documentary evidence in respect of purchases made during the financial years 2018–19 to 2023–24. The documents furnished included purchase invoices, e-way bills, weighment slips and goods receipt registers maintained at each projects location for the receipt of materials. These documents were relied upon by the assessee to establish that materials had actually been purchased, transported and received in connection with the execution of its engineering and infrastructure projects.

The assessee explained that its projects were executed at different locations across the country and that materials were generally delivered directly to the respective project sites. It was therefore contended that the relevant supporting documents, including goods receipt records and weighment slips, were ordinarily maintained at the project locations rather than exclusively at the head office. The assessee also explained that temporary project offices and structures were established at the sites and dismantled upon completion of the respective projects. Consequently, certain secondary supporting documents maintained at the project locations like weighment slips etc., might have been misplaced or lost in the course of shifting or closure of project establishments, though the primary supporting documents like invoices were preserved. The assessee further submitted that the transactions were recorded in its books of account and that payments to the vendors had been made through banking channels. It was contended that the mere non-availability of certain supporting documents at the time of verification would not establish that the underlying purchase transactions had not taken place.

Upon examination of the documents furnished by the assessee, the AO conducted a test check, considering the voluminous nature of the records produced. Significantly, the AO recorded that the test check revealed that many purchases made from the identified vendors were supported by valid documentary evidence establishing their genuineness. The AO thus acknowledged that the entirety of the purchases made from the vendors identified during the search could not be regarded as fictitious. At the same time, the AO observed that certain invoices were not supported by e-way bills, weighment slips or other documents considered necessary to establish the genuineness of the purchases.

The AO prepared a comparative statement in respect of 34 vendors, setting out the total purchases recorded during the six financial years and the value of purchases for which e-way bills or weighment slips were not available during the test check. As per the said statement, the aggregate purchases considered in the test-check exercise amounted to

Rs.53,72,37,105/-, out of which purchases aggregating to Rs.13,01,33,553/- were classified as not supported by the specified documents like e-waybill/weighment slip.

The percentage of purchases lacking the specified supporting documents varied considerably from one vendor to another. In certain cases, the percentage was relatively low, whereas in others, the entire amount considered during the test check was classified as unsupported. The AO nevertheless took the view that the results of the test check corroborated the material found during the search and supported the conclusion that purchase expenditure had been inflated. Having regard to the fact that genuine purchases were also established, the AO did not ultimately disallow the entire amount of Rs.16,22,85,810/-. Instead, the AO estimated the alleged inflation in purchase expenditure at 40% of the total purchases made from the identified vendors. Accordingly, the AO proposed a disallowance of Rs.6,49,14,324/-, representing 40% of Rs.16,22,85,810/-.

The assessee furnished its objections on 24.03.2025, disputing the proposed estimated disallowance. The assessee reiterated that the materials purchased had actually been received and utilised in its projects and that the documentary evidence produced during the assessment proceedings supported the genuineness of the transactions. The assessee also explained that the non-availability of e-way bills or weighment slips in respect of certain transactions had to be appreciated in the context of its business operations, the geographical dispersion of its projects and the practical difficulties associated with maintaining and retrieving project-site records.

The AO, however, rejected the explanation of the assessee. The AO observed that the proposed disallowance of 40% was not based exclusively on the absence of supporting documents but was also founded upon the search findings, including the WhatsApp conversations and statements recorded u/s.132(4) of the Act. Accordingly, the AO disallowed Rs.6,49,14,324/-, being 40% of the purchases of Rs.16,22,85,810/- identified for the relevant previous year, treating the said amount as inflated purchase expenditure.

Thus, the first addition made in the assessment order arose from an estimated disallowance of purchases, notwithstanding the AO's express acknowledgment that documentary evidence furnished by the assessee established the genuineness of a substantial part of the transactions examined.

The second issue considered by the AO related to the alleged inflation of expenditure incurred by the assessee towards subcontract works. The AO referred to the transactions undertaken with certain subcontractors, namely M/s. Sri Guru Krupa Constructions, M/s. Wett Engineering Enterprises, M/s. Wett Engineering and Infra Projects Private Limited and M/s. A.V. Rambabu Infra Private Limited.

During the course of the search at the business premises of the assessee, the Investigation Wing examined the office laptop of Shri T. Devarajulu. An Excel file named "Sri Guru Krupa.xlsx" was found in the laptop and seized as part of the electronic records under Annexure ANN/VD/EPE/ED/S. The spreadsheet contained particulars of certain fund transfers made during January and February 2020 in the name of M/s. Sri Guru Krupa Constructions. As per the spreadsheet reproduced in the assessment order, the transfers between 13.01.2020 and 10.02.2020 aggregated to Rs.1,62,50,000/-. The

spreadsheet also contained entries relating to further payments made to several concerns, including Shri Krishna Electricals, Shri Lekshme Enterprises, Omserma Enterprises, Prashanthi International, Bharath Enterprises, Durga Agencies and Ishaa Traders. Against these payments, the spreadsheet contained columns showing the amounts transferred, percentages and amounts described as receipts.

The Investigation Wing confronted Shri T. Devarajulu with the spreadsheet and sought an explanation regarding the nature of the transactions recorded therein. According to the assessment order, Shri T. Devarajulu stated that the entries represented transfers made through banking channels to various parties, with corresponding amounts allegedly received back in cash after deduction of commission. The AO interpreted the spreadsheet as indicating that funds had been transferred by the assessee to M/s. Sri Guru Krupa Constructions, which, in turn, made payments to certain other concerns. The amounts were allegedly withdrawn and returned in cash after deduction of commission.

During the search, three additional Excel spreadsheets bearing the names "Copy of wet & Gurukrupa.xlsx", "Copy of wet & Gurukrupa2.xlsx" and "wet & Gurukrupa3.xlsx" were also found in the office laptop of Shri T. Devarajulu. These files were stated to have been located in the Tally server desktop folder and were included in the electronic material seized during the search. The spreadsheets contained transaction-wise particulars, including dates, names of parties, amounts transferred, amounts described as receipts and percentages representing alleged commission. The transactions were grouped under headings referring to M/s. Wett Engineering, M/s. Sri Guru Krupa Constructions and the assessee company itself.

The AO recorded that Shri T. Devarajulu explained the entries in the spreadsheets as relating to payments made through RTGS, either directly by the assessee or through the identified subcontractors, and the corresponding amounts allegedly received back in cash. Further, the Investigation Wing found three other spreadsheets described as "New Microsoft Excel Worksheet.xlsx", "New Microsoft Excel Worksheet(2).xlsx" and "New Microsoft Excel Worksheet(3).xlsx" in the electronic records maintained in the laptop of Shri T. Devarajulu. According to the assessment order, Shri T. Devarajulu stated that these spreadsheets contained particulars of payments made in the guise of purchases or labour expenditure, including the names of parties, locations, amounts transferred, percentages of commission and corresponding amounts allegedly received in cash. The AO treated these electronic records as evidence of a systematic arrangement under which funds were allegedly routed through subcontractors and other concerns by recording expenditure in the books, followed by receipt of cash after deduction of commission.

The assessment order further refers to search proceedings conducted at the residential premises of Shri G. Mani, during which certain ledger accounts relating to M/s. Wett Engineering Enterprises and M/s. Wett Engineering and Infra Projects Private Limited were examined in the books of M/s. Enviro Engineering and Construction Private Limited. On examination of the ledger accounts, the Investigation Wing noticed transactions amounting to Rs.1,23,89,023/- and Rs.60,27,178/- involving the aforesaid concerns during financial year 2023–24. Shri G. Mani was called upon to explain the nature of the work undertaken by M/s. Enviro Engineering and Construction Private Limited and to produce the relevant bills, vouchers and other supporting records. As recorded in the assessment order, Shri G. Mani stated that certain transactions were fictitious and that

the accounts of M/s. Enviro Engineering and Construction Private Limited had been utilised for accommodating such transactions. The statement further referred to the arrangement under which M/s. Wett Engineering Enterprises and M/s. Wett Engineering and Infra Projects Private Limited had been awarded subcontracts by the assessee and had, in turn, allegedly subcontracted part of the work to M/s. Enviro Engineering and Construction Private Limited. According to the AO, the statement of Shri G. Mani indicated that amounts were transferred to suppliers identified by Shri T. Devarajulu and that the amounts so transferred were allegedly withdrawn in cash and handed over to Shri T. Devarajulu.

The AO relied upon the statement of Shri G. Mani as additional corroborative material in support of the allegation that certain subcontract expenditure had been inflated through a series of transactions involving subcontractors and other entities. It is relevant to the factual chronology that the specific transactions referred to in the statement of Shri G. Mani pertained to financial year 2023–24, whereas the assessment under consideration relates to financial year 2019–20. The AO nevertheless referred to these transactions while describing the alleged modus operandi adopted by the assessee group.

During the course of the search at the residence of Shri Chinnasami Chandrasekar, director of the assessee company, the Investigation Wing confronted him with the Excel spreadsheets, WhatsApp conversations and extracts of the sworn statement of Shri T. Devarajulu. The director, according to the assessment order, stated that the company had been required to generate cash for meeting certain incidental expenditure which could not be claimed in the regular books of account and that certain entities had been utilised for routing funds through payments described as subcontract expenditure. The director, however, also stated that genuine payments had been made to the concerned entities and that relevant documents would be furnished to establish the genuineness of the transactions.

The AO relied upon the aforesaid statement as supporting the allegation that the assessee had inflated subcontract expenses through the identified concerns. The assessment order thus proceeded on the basis that the statements recorded from the director and Shri T. Devarajulu, read together with the seized spreadsheets and the statement of Shri G. Mani, indicated that the subcontract expenses claimed by the assessee included amounts allegedly routed back in cash.

During post-search proceedings, the Investigation Wing obtained and examined the books of account and Tally data of M/s. Sri Guru Krupa Constructions, M/s. Wett Engineering Enterprises and M/s. Wett Engineering and Infra Projects Private Limited. In the case of M/s. Sri Guru Krupa Constructions, the AO referred to the amounts recorded as expenditure and payments made to various parties during different financial years. The AO specifically recorded that not all payments made by the assessee to M/s. Sri Guru Krupa Constructions were bogus. Consequently, for the purpose of identifying the alleged inflation of expenditure, the AO considered payments stated to have been routed through the identified entities and returned in cash. In respect of financial year 2019–20, the table reproduced in the assessment order relating to M/s. Sri Guru Krupa Constructions showed expenditure of Rs.1,31,90,275/- and payments of Rs.1,69,34,917/- to the parties examined therein.

The AO similarly examined the accounts of M/s. Wett Engineering Enterprises and M/s. Wett Engineering and Infra Projects Private Limited and identified transactions which, according to him, involved the routing of funds through other entities. The assessment order refers to subcontract expenditure of Rs.2,91,83,174/- in the name of M/s. Wett Engineering and Rs.1,69,34,917/- in the name of M/s. Sri Guru Krupa Constructions in the initial show-cause proposal dated 22.01.2025. Subsequently, the AO considered the aggregate subcontract expenditure relating to the identified subcontractors and arrived at a figure of Rs.6,55,94,250/- for the assessment year 2020–21. The AO proposed to disallow 40% of the said amount, being Rs.2,62,37,700/-, on the ground that the search material and subsequent verification indicated inflation of subcontract expenditure.

During the course of the assessment proceedings, the assessee disputed the allegation that the identified subcontractors had not executed the works entrusted to them. It furnished extensive documentary evidence to establish that the subcontractors had actually carried out work in connection with the projects undertaken by the assessee. The assessee produced tender and project documents containing particulars of the scope of work awarded to it and the nature of the works entrusted to the subcontractors. These documents were relied upon to establish the commercial necessity for engaging subcontractors and the relationship between the main contracts and the corresponding subcontract works. The assessee also furnished documents evidencing the execution of work at various project sites. These included stage-wise work completion records approved by Government authorities, running account bills, bills raised by subcontractors and payment memoranda certified by the concerned departments.

The assessee relied upon the stage-wise certification of work by Government authorities to demonstrate that the subcontracted works were not merely book entries but represented actual work carried out at project locations. In addition, the assessee furnished geo-tagged photographs showing various stages of execution of the projects. The photographs included images of subcontractor engineers at the sites during visits by clients, field measurements and inauguration ceremonies. The assessee also produced copies of communications exchanged between itself and the subcontractors. These included emails relating to progress of work, monitoring of project execution and other matters arising in the ordinary course of performance of the subcontract agreements.

The assessee further furnished copies of communications issued by Government engineers, including emails from Executive Engineers addressed to the assessee and the subcontractors regarding slow progress of work. Correspondence relating to extension of bank guarantees furnished to Government departments and communications forwarding GST returns in connection with subcontract works were also produced. The assessee additionally furnished an affidavit submitted before the Joint Commissioner of Labour in connection with workmen compensation arising out of an accident involving a worker of M/s. A.V. Rambabu Infra Private Limited at a TWAD project in the Vellore Circle. The said affidavit was relied upon to establish that the subcontractor was actually engaged in the execution of work at the relevant project site and that its personnel were involved in the performance of the contracted work. The assessee also explained the procedure followed for inspection and certification of major concrete works. It was stated that, before concrete was poured, the concerned department carried out inspections relating to measurements,

reinforcement, shuttering and quality of work. The inspections were documented in records described as "pour cards", which certified the satisfactory completion of the relevant preparatory work before concrete was poured. According to the assessee, the pour cards also contained particulars of the subcontractors executing the respective works. Copies of such pour cards were furnished to substantiate the contention that the subcontractors had actually executed the works entrusted to them. The assessee further submitted that certain stages of project execution were subject to mandatory third-party quality inspections under the terms of the contracts awarded by Government authorities. In this connection, the assessee produced evidence of inspections carried out by independent agencies, including M/s. SGS and Dr. Amin Control, together with bills and related communications referring to the work executed by subcontractors. The assessee also furnished certificates issued by Executive Engineers of Government undertakings certifying the execution of subcontract works forming part of the main projects undertaken by the assessee company. The documentary evidence was thus relied upon by the assessee to establish that the subcontractors had actually executed work, that the execution of work had been monitored and inspected, and that the relevant Government authorities had certified the performance of the works.

Upon examining the documentary evidence furnished by the assessee, the AO recorded an important factual finding that the subcontractors had actually executed work pursuant to the subcontract agreements entered into with the assessee. The AO also acknowledged that the execution of the works had been duly certified by Government authorities. The AO nevertheless held that the evidence relating to the actual execution of work did not rebut the separate allegation that part of the expenditure had been inflated through transactions involving cash repayments from vendors of the subcontractors. Thus, while the AO accepted the existence of genuine subcontract work and the incurring of genuine expenditure under that head, the AO maintained that certain amounts had been routed through subcontractors and other entities and subsequently received back in cash. The AO therefore proceeded to estimate the alleged inflation in subcontract expenditure.

During the assessment proceedings, the assessee referred to the retraction statement furnished by Shri T. Devarajulu and sought to explain the circumstances in which the electronic spreadsheets had been maintained in his laptop. Shri T. Devarajulu explained that, apart from being employed as Manager, Accounts and Taxation of the assessee company, he was also independently rendering business consultancy and taxation-related services to certain subcontractors. The concerns to which he rendered such services included M/s. A.V. Rambabu Infra Private Limited, M/s. Wett Engineering Enterprises and M/s. Wett Engineering and Infra Projects Private Limited. It was explained that his independent professional work involved maintenance of accounts, GST compliance and other accounting and taxation services for the subcontractors. In the course of rendering these services, he was required to interact with the vendors of the subcontractors and maintain extensive accounting records relating to their transactions.

Shri T. Devarajulu further explained that certain spreadsheets relating to the transactions of the subcontractors were maintained in a folder named "Personal" in his laptop because he had not disclosed his independent consultancy activities to his employer. The assessee relied upon this explanation to contend that the mere presence of spreadsheets

relating to the transactions of subcontractors in the laptop of Shri T. Devarajulu could not conclusively establish that all the transactions recorded therein represented fictitious expenditure incurred by the assessee company.

The AO examined the explanation regarding the independent professional activities of Shri T. Devarajulu with reference to his income-tax returns and Form 26AS. Significantly, the AO recorded that the claim of Shri T. Devarajulu regarding the rendering of independent professional services to the subcontractors was supported by the income-tax records. In this connection, the AO referred to the professional receipts disclosed by Shri T. Devarajulu from the subcontractors during different financial years, including Rs.2,50,000/- from the proprietor of M/s. Wett Engineering Enterprises for the financial year 2021-22, Rs.2,50,000 from M/s. Wett Engineering and Infra Projects Pvt. Ltd.; Rs.2,80,000 from the proprietor of M/s. Wett Engineering Enterprises; Rs.2,00,000 from M/s. A.V. Rambabu Infra Pvt. Ltd for the financial year 2022-23 and Rs.5,00,000/- from M/s. Wett Engineering and Infra Projects Pvt. Ltd for the financial year 2023-24. The AO recorded that the receipts were reflected in Form 26AS and had been admitted in the income-tax returns filed by Shri T. Devarajulu for the corresponding assessment years. Thus, the AO accepted the factual explanation that Shri T. Devarajulu had independently rendered accounting and taxation services to the subcontractors and had received professional consideration therefor. However, the AO held that the said explanation did not satisfactorily rebut the allegation arising from the search material that certain payments had been routed through vendors of the subcontractors and received back in cash. The AO accordingly relied upon the electronic records and statements recorded during the search, notwithstanding the subsequent explanation and the evidence supporting Shri T. Devarajulu's independent professional activities.

After examining the search material, statements and documentary evidence furnished by the assessee, the AO concluded that the identified subcontractors had executed actual work and that genuine expenditure had been incurred. At the same time, the AO maintained that the electronic records and other materials indicated that certain amounts had been returned in cash by the vendors of the subcontractors. On this basis, the AO estimated the alleged inflation of subcontract expenditure at 40% of the expenditure recorded in the names of the identified subcontractors. The assessment order set out the estimated disallowance for different assessment years, including the following figures:

Assessment year	***Subcontract expenditure (Rs.)***	***Estimated disallowance at 40% (Rs.)***
2020–21	*6,55,94,250*	*2,62,37,700*
2021–22	*8,77,33,816*	*3,50,93,526*
2022–23	*14,22,64,165*	*5,69,05,666*
2023–24	*63,12,76,110*	*25,25,10,444*
2024–25	*66,17,69,785*	*26,47,07,914*

Insofar as the assessment year 2020–21 was concerned, the AO issued a show-cause notice dated 18.03.2025 proposing to disallow Rs.2,62,37,700/-, being 40% of the subcontract expenditure of Rs.6,55,94,250/-.

The assessee furnished its response on 24.03.2025, reiterating that the subcontractors had actually executed work and that the assessee had not received cash from the subcontractors as alleged by the Investigation Wing. The assessee also relied upon the evidence already furnished, including Government-certified work completion records, running account bills, inspection records, correspondence and other documents evidencing the actual execution of work. The AO, however, rejected the contention that no cash had been received through the alleged arrangement. The AO held that the material found during the search, considered together with the post-search enquiries, established that certain amounts had been returned in cash. Accordingly, the AO disallowed Rs.2,62,37,700/-, representing 40% of the subcontract expenditure of Rs.6,55,94,250/-, and added the same to the total income of the assessee.

7. Aggrieved by the assessment order dated 30.03.2025 passed u/s.147 r.w.s 143(3) of the Act, whereby the AO made estimated disallowances of Rs.6,49,14,324/- towards alleged bogus purchases and Rs.2,62,37,700/- towards alleged inflation of subcontract expenditure, aggregating to Rs.9,11,52,024/-, the assessee carried the matter in appeal before the ld.CIT(A) challenging the validity and sustainability of the aforesaid additions.

8. We find the assessee filed detailed written submissions before the ld.CIT(A) which were reproduced by the ld.CIT(A) in para no.6.3.8 of impugned order, the relevant substance of which reproduced herein under for better reference:

"The assessee submitted that the entire allegation of bogus purchases emanated from certain WhatsApp conversations and Excel sheets retrieved from the electronic devices of Shri T. Devarajulu, Manager (Accounts and Taxation), during the course of search proceedings. It was contended that the said electronic records were maintained by Shri T. Devarajulu in connection with his independent accounting and taxation consultancy services rendered to certain subcontractors without the knowledge of the assessee company. The assessee further stated that they came to know about Shri T. Devarajulu consultancy services only at the conclusion of the search. The said fact was substantiated by his income-tax returns and Form 26AS, which reflected professional receipts from the subcontractors. It was further submitted that Shri T. Devarajulu had subsequently retracted his earlier statement recorded during the search, clarifying that the allegations of cash being received back by the assessee were incorrect. Therefore,

the assessee contended that the electronic records and statements, in the absence of independent corroboration, could not constitute a valid basis for treating the purchases recorded in its regular books of account as bogus.

The assessee further submitted that it was engaged in the execution of large-scale EPC contracts for various Government departments and undertakings across the country and that the materials purchased from the identified vendors were actually received and consumed in the execution of such projects. In support of the genuineness of the purchases, the assessee had furnished voluminous documentary evidence comprising purchase orders, tax invoices, goods receipt notes, material inward registers, e-way bills wherever applicable, weighment slips, supplier-wise ledger accounts, consumption records and proof of payments through banking channels. It was contended that the AO had neither disputed the existence of the suppliers nor established any discrepancy in the receipt or consumption of materials, quantitative records or payment trail.

It was further submitted that the AO himself, upon conducting a test-check verification of purchases relating to 34 vendors aggregating to Rs.53,72,37,105/- for the relevant financial years, had recorded that many purchases were supported by valid documentary evidence establishing their genuineness. However, merely because certain e-way bills or weighment slips were not readily available, the AO proceeded to estimate 40% of the entire purchases from the identified vendors as inflated expenditure. According to the assessee, such an estimation was arbitrary and without any scientific or rational basis, particularly when no specific instance of fictitious purchase, excess payment, abnormal pricing or discrepancy in the books of account had been identified.

Explaining the non-availability of certain transport-related documents, the assessee submitted that materials were generally delivered directly to the respective project sites situated in different States and that the accompanying documents were maintained at those locations. Since the project offices were temporary establishments which were dismantled upon completion of the projects, certain old records could not be retrieved. It was further contended that e-way bills were not required for every transaction, having regard to the statutory exemptions, value thresholds, nature of goods and relevant periods, and that weighment slips were applicable principally to materials transported by weight and not to all purchases. The assessee also furnished detailed vendor-wise and invoice-wise explanations disputing the deficiencies pointed out by the AO.

The assessee further submitted before the ld.CIT(A) that, in order to demonstrate the erroneous approach adopted by the AO in treating purchases as unsupported merely for want of e-way bills or weighment slips, it had undertaken a comprehensive invoice-wise examination of the entire purchases made from the identified vendors for the financial years 2018–19 to 2023–24. The assessee placed on record two detailed statements, namely Table 1 and Table 2, analysing the availability and applicability of e-way bills and weighment slips, respectively, in relation to the aggregate gross purchases of Rs.1,18,39,81,223/-, comprising taxable purchase value of Rs.96,53,68,155/- and GST of Rs.21,86,13,068/-. It was specifically submitted that the said analysis was prepared entirely on the basis of the primary records already furnished before the AO during the assessment proceedings and did not constitute fresh evidence.

Referring to Table 1, the assessee submitted that e-way bills were fully available in respect of purchases aggregating to Rs.60,12,59,606/-. In respect of further purchases aggregating to Rs.54,64,95,149/-, the requirement of generating e-way bills was stated to be inapplicable, as the individual invoice values were below the prescribed threshold of Rs.1,00,000/- applicable to the relevant intra-State transactions in Tamil Nadu. Similarly, purchases aggregating to Rs.38,61,671/- related to the period prior to the introduction of the relevant e-way bill requirement in Tamil Nadu on 02.06.2018. Thus, according to the assessee, e-way bills were either available or not statutorily required in respect of purchases aggregating to Rs.1,15,16,16,426/-, representing approximately 97.27% of the total gross purchase value. The value of purchases for which e-way bills could not be readily traced was confined to Rs.3,23,64,797/-, constituting merely 2.73% of the aggregate purchases.

Likewise, referring to Table 2, the assessee submitted that weighment slips were available in respect of purchases aggregating to Rs.14,16,28,393/-. In respect of purchases aggregating to Rs.96,01,00,932/-, separate weighment slips were stated to be inapplicable having regard to the nature of materials purchased, such as cement, bricks, electrical goods, hardware, pipes, chemicals, tiles, pumps, motors, consumables and other materials measured in numbers, metres or other units. Further, purchases aggregating to Rs.5,47,17,693/- represented consignments weighing less than ten tonnes or transactions in which weighment was carried out at the vendors' premises. Thus, the assessee contended that weighment slips were either available or not separately required in respect of purchases aggregating to Rs.1,15,64,47,018/-, representing approximately 97.67% of the total purchases. The purchases for which weighment slips could not be readily traced amounted to only Rs.2,75,34,205/-, constituting approximately 2.33% of the aggregate gross purchases.

The assessee accordingly contended that the AO had fundamentally erred in treating purchases aggregating to Rs.13,01,33,553/- out of the test-checked purchases of Rs.53,72,37,105/- as unsupported, without appreciating the distinction between non-availability of documents and cases where such documents were not statutorily or commercially applicable. It was submitted that, upon proper examination of the entire purchase records, the actual non-availability of e-way bills and weighment slips was restricted to 2.73% and 2.33%, respectively, of the aggregate gross purchases. Even in respect of these limited transactions, the assessee had furnished primary purchase invoices, goods receipt notes, material inward records and other supporting evidence establishing receipt and consumption of materials at the project sites. The assessee therefore submitted that the estimated disallowance of 40% of the entire purchases was grossly disproportionate to the deficiencies alleged by the AO and was unsupported by any rational or scientific basis.

It was further submitted that the detailed vendor-wise and invoice-wise reconciliation, forming part of Annexure 5 to the written submissions, contained particulars of invoice numbers, dates, taxable values, GST components, e-way bill references, weighment slip particulars and specific explanations for non-applicability or non-availability of such documents. The assessee emphasised that the aggregate GST component of Rs.21,86,13,068/- did not represent expenditure debited to the profit and loss account. Consequently, the AO had also erred in applying the estimated disallowance to the gross

purchase value inclusive of GST. It was therefore contended that the impugned disallowance suffered from fundamental factual infirmities both in the identification of allegedly unsupported purchases and in the quantification of the amount disallowed.

The assessee further contended that the AO had erroneously considered the gross purchase value inclusive of GST while computing the estimated disallowance, notwithstanding that the eligible GST component was accounted for as input tax credit and had not been debited to the profit and loss account. It was therefore submitted that the very basis adopted for computing the disallowance was factually incorrect. The assessee also contended that its books of account were duly audited and had not been rejected u/s.145(3) of the Act. In the absence of any established defects in the books or corroborative evidence of inflated purchases, an ad hoc disallowance of 40% was wholly unjustified.

In support of its contentions regarding the evidentiary value of WhatsApp communications and uncorroborated electronic records, the assessee placed reliance on the various decisions of the Co-ordinate bench of the Tribunal. It was contended that unverified electronic communications, unsupported by independent evidence establishing the actual transactions, could not by themselves justify additions to the returned income.

Without prejudice to the above submissions, the assessee pointed out that, with a view to avoiding prolonged litigation and bringing quietus to the disputes arising from the search, it had already voluntarily offered an aggregate ad hoc disallowance of Rs.16 crores across the relevant assessment years, including Rs.1.50 crores for A.Y. 2020–21. It was submitted that the said voluntary offer was made in good faith, without admitting the allegations of bogus purchases or inflated subcontract expenditure. Therefore, the further estimated disallowance made by the AO was excessive, unreasonable and unwarranted.

In the light of the aforesaid submissions, the assessee pleaded before the ld. CIT(A) that the addition made towards alleged bogus purchases was founded on presumptions and an arbitrary estimation, without establishing any specific non-genuine transaction or disproving the primary documentary evidence furnished by the assessee. Accordingly, it was prayed that the estimated disallowance of Rs.6,49,14,324/- made towards purchases for the assessment year under consideration be deleted in its entirety.

Insofar as the addition towards alleged inflation of subcontract expenditure was concerned, the assessee challenged the disallowance of Rs.2,62,37,700/- made by the AO by estimating 40% of the subcontract expenditure of Rs.6,55,94,250/- as non-genuine. The detailed submissions made by the assessee in this regard have been reproduced by the ld. CIT(A) in paragraph 6.4.7 of the impugned appellate order.

The assessee submitted that the allegation of inflation of subcontract expenditure was principally based on certain Excel sheets and WhatsApp communications found in the personal folder of Shri T. Devarajulu, who was employed as Manager (Accounts and Taxation) of the assessee company. It was contended that Shri T. Devarajulu was independently rendering accounting, taxation and GST consultancy services to certain

subcontractors, including M/s. A.V. Rambabu Infra Private Limited, M/s. Wett Engineering Enterprises and M/s. Wett Engineering and Infra Projects Private Limited, without the knowledge or authorisation of the assessee company. The professional receipts earned by him from the said subcontractors were duly reflected in his income-tax returns and Form 26AS, a fact which had also been acknowledged by the AO in the assessment order.

It was further submitted that Shri T. Devarajulu had filed a written retraction in December 2024, clarifying that the electronic spreadsheets and communications found in his possession pertained to his independent consultancy engagements and that his earlier statements suggesting receipt of cash by the assessee were incorrect and had been made under stress during the search. The assessee also pointed out that its Managing Director, Shri C. Chandrasekar, in his statement recorded u/s.132(4) of the Act, had specifically disputed the allegation that the entire payments to the identified parties were bogus and had sought an opportunity to reconcile the transactions and establish their genuineness. It was contended that the AO had selectively relied upon portions of the search statements while disregarding the subsequent explanations and retraction.

The assessee further submitted that it was executing large infrastructure projects for various State and Central Government departments and undertakings, involving technically specialised works spread across different locations. Considering the magnitude of the projects, prescribed completion schedules and contractual obligations, engagement of subcontractors was an essential and integral part of its business operations. It was explained that delay in execution would expose the assessee to liquidated damages, escalation of project costs and adverse consequences in securing future Government contracts. Therefore, the engagement of subcontractors was commercially necessary and the expenditure incurred thereon was wholly for the purposes of business.

In order to substantiate the genuineness of the subcontract expenditure, the assessee had furnished comprehensive project-wise documentary evidence, including copies of contracts awarded by Government departments, subcontract agreements, work orders, running account bills, measurement records, memoranda of payment certified by Government engineers, GST invoices, stage-wise work completion certificates, pour cards, third-party quality inspection reports, geo-tagged photographs, contemporaneous correspondence with subcontractors and Government authorities, bank guarantee particulars and Government-issued experience and completion certificates. The assessee submitted that these documents conclusively established that the subcontractors had actually executed measurable work at the respective project sites and that such work had been inspected and certified by independent Government authorities.

It was specifically brought to the notice of the ld.CIT(A) that the AO himself, after examining the documentary evidence furnished by the assessee, had categorically acknowledged that the subcontractors had actually executed the works entrusted to them and that such works had been duly certified by Government authorities. Notwithstanding the said categorical finding, the AO proceeded to estimate 40% of the subcontract expenditure as inflated without identifying any defect in the primary records or disproving

the Government-certified evidence. The assessee contended that once the actual execution of subcontract works stood established through independent documentary evidence, the expenditure incurred thereon could not be disallowed merely on the basis of uncorroborated electronic records and statements.

The assessee further contended that the AO had not established any corresponding cash trail, unexplained investment, undisclosed asset or other corroborative material evidencing that the alleged inflated subcontract payments had been received back by the assessee. It was submitted that the audited books of account had not been rejected and no specific defect had been pointed out in the subcontract bills, payment records or Government-certified work execution documents. Consequently, the uniform estimation of 40% was wholly arbitrary, excessive and unsupported by any rational basis.

The assessee also drew attention to the financial results declared by it and submitted that it had consistently disclosed net profit margins in the range of approximately 10% to 12%, which were substantially higher than the margins generally prevailing in the EPC and infrastructure contracting industry. It was further submitted that the Government schedule of rates adopted for estimation of project costs generally contemplated contractor gross margins ranging from 6.5% to 10%. The assessee further submitted before the ld.CIT(A) that while the gross margins estimated in the Government schedule of rates are in the above range, it has offered the Net Profits in the ration of 10% to 12% for the assessment years under consideration. According to the assessee, the additional disallowance of 40% of subcontract expenditure would artificially inflate the declared profits to commercially unrealistic levels, notwithstanding that the actual execution of the works and the corresponding expenditure stood substantiated.

The assessee further submitted before the ld.CIT(A) that the arbitrary nature of the estimated disallowance of 40% towards subcontract expenditure was also evident from the financial results consistently declared by the assessee and the comparable net profit margins prevailing in the EPC and infrastructure contracting industry. It was submitted that the assessee was engaged in the execution of large Government infrastructure projects awarded through competitive bidding, where the scope for earning abnormal profits was inherently limited. Notwithstanding the competitive nature of the industry, the assessee had consistently declared net profit ratios of 10.12%, 11.83%, 10.81%, 11.12%, 11.46% and 9.59% for the financial years 2018–19 to 2023–24, respectively. In particular, for the financial year 2019–20 relevant to the assessment year under consideration, the assessee had disclosed a net profit ratio of 11.83%.

In order to substantiate its contention that the profits disclosed were reasonable and substantially higher than the prevailing industry margins, the assessee placed before the ld.CIT(A) a comparative statement of net profit ratios of eight companies engaged in similar EPC and infrastructure activities, based on their publicly available financial information. The comparable companies included Toshiba Water Solutions Private Limited, KLSR Infratech Limited, The Indian Hume Pipe Company Limited, Rajkamal Builders Infrastructure Private Limited, NCC Limited, VA Tech Wabag Limited, URC Construction Private Limited and Anchor Ceramic Co. Private Limited. The assessee pointed out that, for financial year 2019–20, the comparable net profit ratios ranged from a loss of 9.99% in the case of Toshiba Water Solutions Private Limited to a profit of

8.37% in the case of KLSR Infratech Limited, whereas the assessee had disclosed a substantially higher net profit ratio of 11.83%. It was contended that the said comparison demonstrated that the assessee had already disclosed profits substantially above those of comparable concerns operating in the same industry.

The assessee further submitted that, even when the financial results of the comparable concerns were examined over the succeeding financial years, the net profit ratios of most of the companies remained substantially below the margins consistently declared by the assessee. It was pointed out that the assessee's net profit ratio exceeded 10% during five out of the six financial years under consideration, whereas several comparable concerns had reported considerably lower margins and, in certain years, losses. According to the assessee, these financial results demonstrated that the expenditure claimed towards purchases and subcontract works was consistent with the commercial realities of the business and that there was no abnormal suppression of profits warranting an estimated disallowance.

The assessee also invited the attention of the ld.CIT(A) to the methodology adopted by various State Government departments for estimating the cost of infrastructure projects while inviting tenders. It was submitted that the respective Government schedules of rates generally contemplated contractors' gross margins ranging from 6.5% to 10%. The assessee contended that its declared net profit ratios were already higher than the margins generally contemplated in such Government estimates and those reported by several comparable EPC contractors. In these circumstances, the further disallowance of 40% of the subcontract expenditure, despite the actual execution of work having been established through Government-certified records, would artificially enhance the taxable profits to commercially unrealistic levels.

It was accordingly contended that the AO had failed to examine the reasonableness of the declared profits with reference to the nature of the assessee's business, the profit margins of comparable concerns, the Government schedules of rates and the actual execution of subcontract works. The assessee submitted that the adoption of a uniform rate of 40%, without identifying any specific instance of inflation of subcontract expenditure or establishing any corresponding receipt of cash, was arbitrary and contrary to the factual evidence available on record. It was therefore prayed that the estimated disallowance made towards subcontract expenditure be deleted in its entirety.

Without prejudice to its principal contention that the entire subcontract expenditure was genuine, the assessee reiterated that it had already voluntarily offered an ad hoc disallowance across the relevant assessment years with a view to avoiding prolonged litigation. It was contended that the further estimated addition of 40% made by the AO, without identifying any specific instance of inflation or receipt of cash, was unjustified.

Accordingly, the assessee submitted before the ld. CIT(A) that the addition towards alleged inflation of subcontract expenditure rested upon assumptions drawn from electronic records found in the personal possession of an employee, whose independent consultancy activities stood established by documentary evidence. On the other hand, the actual execution of subcontract works stood independently corroborated by Government-certified records and had also been accepted by the AO. It was therefore

prayed that the estimated disallowance of Rs.2,62,37,700/- made towards subcontract expenditure for the assessment year under consideration be deleted in full."

9. It is noted that the ld.CIT(A) after considering the submissions made by the assessee during the first appellate proceedings, was of the opinion that the entire sub-contract expenditure was genuine which was already voluntarily offered as adhoc additional income in AYs 2019-20 to 2022-23. Further, he observed that the said voluntary offer was not made as an admission of bogus or inflated expenditure but was to avoid prolonged litigation. Further, he observed that the amounts voluntarily offered exceeded the restricted disallowances quantified at 5% and held no further addition was warranted for such assessment years in which the said amounts had already been included in the returned income. Accordingly, the ld.CIT(A) directed the AO to accept return income u/s. 148 of the Act for AYs 2019-20 to 2022-23. For AY 2024-25 it was directed to delete the further additions made towards alleged inflation of sub-contract expenditure. Since the voluntary disallowance was made only in the revised statement of total income for AY 2023-24 the ld.CIT(A) directed the AO to sustain Rs.3,15,63,806/- as the restricted disallowance while deleting the balance addition of Rs.21,35,57,644/- considering the allocation of the voluntary disallowance between purchases and sub-contract expenditure. Accordingly, the ld.CIT(A) upon a detailed examination of the assessment order, seized electronic records, statements recorded during the search, subsequent explanations and retraction, audited books of account and the voluminous documentary evidence furnished by the assessee, came to the conclusion that the estimated disallowances of 40% made by the AO towards purchases and subcontract expenditure were excessive and unsupported by transaction-specific evidence. The ld.CIT(A) recorded categorical findings that the assessee had substantially established the genuineness of purchases through primary documentary evidence and that

the actual execution of subcontract works stood independently verified and certified by competent Government authorities. The ld.CIT(A) further found that the AO had neither rejected the books of account nor identified specific instances of inflated expenditure, and that the seized electronic records and statements, in the absence of adequate corroboration, did not justify the additions made in the assessment. Nevertheless, having regard to certain documentary deficiencies and the circumstances emerging from the search, the ld.CIT(A) considered it appropriate to restrict the estimated disallowances to 5% under each head. However, since the assessee had already voluntarily offered additional income of Rs.1,50,00,000/- in the return furnished u/s.148 of the Act for the assessment year 2020-21, which exceeded the aggregate restricted disallowances quantified by the ld.CIT(A), the AO was directed to delete the entire further additions of Rs.6,49,14,324/- towards alleged bogus purchases and Rs.2,62,37,700/- towards alleged inflated subcontract expenditure, aggregating to Rs.9,11,52,024/-, and to accept the income of Rs.20,55,31,950/- returned by the assessee u/s.148 of the Act.

10. Aggrieved by the order of the ld.CIT(A) the Revenue is before us challenging the action of the ld.CIT(A) in giving relief to the assessee restricting the disallowance to 5% as against 40% made by the AO on account of alleged bogus purchases and inflated sub-contract expenditure.

11. The ld.DR, Shri. C. Sivakumar, CIT, vehemently assailed the impugned order passed by the ld.CIT(A) and submitted that the ld.CIT(A) had erred in deleting the additions made by the AO towards alleged bogus purchases and inflated subcontract expenditure. The ld.DR submitted that the AO had made the additions after conducting a detailed examination of the incriminating materials found and seized during the course of search proceedings u/s.132

of the Act, the sworn statements recorded from the responsible persons of the assessee company and the subsequent enquiries carried out during the assessment proceedings. It was contended that the ld.CIT(A), without properly appreciating the evidentiary value of the seized materials and the admissions made during the search, had erroneously interfered with the additions made by the AO and granted substantial relief to the assessee. The ld.DR further contended that the AO had not made the additions merely on the basis of suspicion or conjecture, as observed by the ld.CIT(A), but had relied upon the cumulative effect of the seized electronic records, sworn statements and subsequent enquiries. Insofar as the addition towards alleged bogus purchases were concerned, the ld.DR submitted that the AO had clearly brought out the facts in the assessment order and supported the action of the AO in making an estimated addition.

12. Further, the ld.DR placed reliance upon the decision of the Hon'ble High Court of Bombay in PCIT v. Kanak Impex India Ltd. [2025] 172 taxmann.com 283 (Bombay). The ld.DR further submitted that the ld.CIT(A) had failed to appreciate the legal significance of the admissions made in the sworn statements recorded u/s.132(4) of the Act and vehemently argued that the statements recorded during the course of search proceedings constituted substantive evidence and could validly form the basis of additions where they disclosed undisclosed income or non-genuine expenditure. The ld.DR contended that the ld.CIT(A) was not justified in disregarding the evidentiary value of such statements merely because the assessee subsequently furnished explanations or disputed the allegations arising therefrom. In support of the aforesaid contention, the ld.DR placed reliance upon the judgment of the Hon'ble Supreme Court in the case of B. Kishore Kumar v. Deputy Commissioner of Income-tax, Central Circle-IV (1), Chennai [2015] 62

taxmann.com 215 (SC) / [2015] 234 Taxman 771 (SC), dated 02.07.2015. The ld. DR submitted that the Hon'ble Supreme Court had upheld the view that additions could be made on the basis of sworn statements recorded during search and seizure proceedings. It was further contended that the said decision arose from the jurisdiction of the Hon'ble High Court of Madras and was of direct relevance to the present case. The ld. DR, argued that the ld. CIT(A), while deciding the issues in favour of the assessee, had failed to consider the binding principles emerging from the aforesaid judgment and had consequently rendered findings contrary to the law declared by the Hon'ble Supreme Court. With regard to the disallowance towards alleged inflation of subcontract expenditure, the ld.DR submitted that the AO had relied on the incriminating electronic records namely excel sheets and WhatsApp communications with respect to alleged payments to the subcontractors and the alleged cash receipts. The ld.DR argued that the ld.CIT(A) had failed to consider these findings of the AO and submitted that the ld.CIT(A), having regard to the nature of the incriminating materials found during the search and the admissions made by the Director of the assessee company, was not justified in restricting the additions to 5% of the disputed expenditure and thereafter granting consequential relief to the assessee. It was contended that the restriction of the additions and the ultimate deletion thereof were contrary to the findings recorded by the AO in the assessment order. The ld.DR submitted that the ld.CIT(A) had erred in deleting the addition of Rs.6,49,14,324/- made towards alleged bogus purchases and the addition of Rs.2,62,37,700/- made towards alleged inflated subcontract expenditure for the assessment year under consideration. It was contended that the additions were founded upon incriminating materials discovered during the search, corroborative electronic evidence, sworn statements and subsequent enquiries, and were justified on the facts and circumstances of the case. The

ld.DR submitted that the impugned order of the ld. CIT(A), insofar as it granted relief to the assessee against the aforesaid additions, was erroneous both on facts and in law and contrary to the principles laid down by the Hon'ble Supreme Court and the Hon'ble High Court of Bombay in the decisions relied upon by the Revenue. The ld. DR accordingly prayed that the impugned order of the ld. CIT(A) be set aside on these issues and that the assessment order passed by the AO, making additions aggregating to Rs.9,11,52,024/- towards alleged bogus purchases and inflated subcontract expenditure, be restored.

13. The ld.AR, Shri. R. Venkataraman, CA, submitted that the Revenue had failed to demonstrate any factual or legal infirmity in the well-reasoned findings recorded by the first appellate authority. He vehemently argued that the AO had made substantial additions towards alleged bogus purchases and inflated subcontract expenditure merely by adopting an arbitrary rate of 40%, without identifying any specific transaction in which the expenditure was inflated or establishing that any part of the payments made by the assessee had actually been received back in cash. He submits that the ld.CIT(A), after a detailed examination of the assessment records, seized materials, sworn statements, audited books of account and voluminous documentary evidence, had rightly held that the additions made by the AO were unsustainable, argued that the Revenue's appeal was devoid of merit and deserved to be dismissed. Further, that the fundamental infirmity in the assessment order was the complete absence of any incriminating material establishing that 40% of the purchases or subcontract expenditure had been received back by the assessee in cash and the AO had failed to establish any rational nexus between the seized materials and the uniform estimated disallowance of 40% adopted across different assessment years.

14. Adverting to the Revenue's contention that the Managing Director had admitted that the invoices were bogus and were obtained to meet the cash requirements of the company, ld.AR submits that the Revenue had misread the statement recorded u/s.132(4) of the Act and pointed out that the Managing Director had specifically stated that substantial purchases and subcontract transactions were genuine and that the assessee would furnish supporting evidence to establish their genuineness and sought time in this respect. In continuation of his request in the sworn statement recorded at the time of search, the assessee furnished elaborate submissions along with supporting documents to substantiate the claim before the office of DDIT on 19.07.2024 and 31.07.2024. Accordingly, the statement could not be construed as an admission that the entire purchases from the identified vendors or all subcontract payments were bogus or inflated. He argued that an admission, if any, concerning certain transactions could not be extended to transactions which were independently supported by documentary evidence and the AO was required to consider the statement in its entirety, including the explanation that genuine transactions had been undertaken and the request for an opportunity to furnish supporting records. It is vehemently contended that the Revenue had selectively relied upon the portions of the statement which appeared adverse to the assessee while disregarding the categorical assertion regarding the genuineness of substantial purchases and subcontract expenditure. Such selective reliance, was impermissible and contrary to the settled principles governing appreciation of evidence. It is further pointed out, that the Managing Director had not admitted that 40% of the purchases or subcontract expenditure represented bogus transactions. Neither the statement of the Managing Director nor that of Shri T. Devarajulu contained any quantification establishing that precisely 40% of the expenditure had been inflated. He submits that, even assuming that certain

statements constituted relevant evidence regarding particular transactions, the same could not furnish a legally sustainable basis for estimating the disallowance at 40% of the entire expenditure under consideration.

15. Further, he submits that the Excel sheets and WhatsApp communications principally relied upon by the AO were recovered from the electronic devices and personal folders of Shri T. Devarajulu, who was employed as Manager (Accounts and Taxation) of the assessee. He argued that Shri T. Devarajulu had independently undertaken accounting, taxation and GST consultancy assignments for certain subcontractors without the knowledge or authorisation of the assessee. He drew our attention to the income-tax returns and Form 26AS of Shri T. Devarajulu as reported in the assessment order, which reflected consultancy income received from the subcontractors. It is further submitted that Shri T. Devarajulu had subsequently furnished a detailed written retraction explaining the circumstances in which his earlier statement was recorded and clarifying that the electronic records related to his independent consultancy activities. The ld.AR contended that the AO had failed to properly appreciate the retraction in conjunction with the corroborative income-tax records. He argued that the assessee was not seeking automatic exclusion of the seized electronic records merely because they were found in the possession of an employee, rather, the contention was that their contents had to be independently verified and linked to specific transactions of the assessee before any adverse addition could be made, vehemently submits that the seized records, without proper verification and corroboration, could not justify the estimated additions made by the AO.

16. He drew our attention to the assessment order and submits that the AO himself had categorically acknowledged that genuine purchases had been made from the identified vendors. It is pointed out that, upon conducting a test-check verification of purchases relating to 34 vendors aggregating to Rs.53,72,37,105/- across the relevant financial years, the AO had recorded that many purchases were supported by valid documentary evidence establishing their genuineness. Notwithstanding this finding, the AO proceeded to disallow 40% of the aggregate purchases without identifying the specific transactions which remained unsubstantiated. Further, that the approach adopted by the AO was internally inconsistent. Having accepted that substantial purchases were genuine, the AO could not mechanically apply the same rate of disallowance to transactions supported by valid evidence and those in respect of which certain ancillary documents were unavailable. It is further pointed out that the alleged documentary deficiencies varied considerably from one vendor to another and argued that the adoption of a uniform rate of 40% across all identified vendors and assessment years was wholly arbitrary and lacked any scientific or rational basis.

17. The ld.AR drew attention to the detailed reconciliation statements furnished before the ld. CIT(A), reproduced as Tables 1 and 2 in the impugned order, and submits that the AO had proceeded on a fundamentally erroneous assumption regarding the non-availability of e-way bills and weighment slips, argued that the assessee had undertaken a comprehensive invoice-wise analysis of gross purchases aggregating to Rs.118,39,81,223/- for the financial years 2018–19 to 2023–24, comprising taxable purchase value of Rs.96,53,68,155/- and GST of Rs.21,86,13,068/-. The analysis demonstrated that the overwhelming majority of the transactions were either supported by the relevant documents or fell within categories where such documents were

not required. Referring to Table 1, he submits that e-way bills were available in respect of purchases aggregating to Rs.60,12,59,606/- and in respect of further purchases aggregating to Rs.54,64,95,149/-, e-way bills were stated to be inapplicable having regard to the prescribed monetary threshold applicable to the relevant intra-State transactions. Further purchases aggregating to Rs.38,61,671/- related to the period prior to the introduction of the relevant e-way bill requirement in Tamil Nadu and thus, e-way bills were either available or not required in respect of purchases aggregating to Rs.115,16,16,426/-, representing approximately 97.27% of the gross purchases. The value of purchases for which e-way bills could not be readily traced was restricted to Rs.3,23,64,797/-, constituting merely 2.73% of the total purchases.

18. Similarly, referring to Table 2, he submits that weighment slips were available in respect of purchases aggregating to Rs.14,16,28,393/- and in respect of purchases aggregating to Rs.96,01,00,932/-, separate weighment slips were not required having regard to the nature of the materials purchased, which included cement, electrical goods, pipes, valves, fittings, hardware, pumps, motors, chemicals and other materials measured in numbers, metres or other units. Further, purchases aggregating to Rs.5,47,17,693/- related to consignments weighing less than ten tonnes or transactions where weighment was carried out at the vendors' premises and the weighment slips were either available or not separately required in respect of purchases aggregating to Rs.115,64,47,018/-, representing approximately 97.67% of the total purchases. The purchases for which weighment slips could not be readily traced were confined to Rs.2,75,34,205/-, constituting approximately 2.33% of the gross purchases. Ld. AR submits that the aforesaid quantitative analysis completely undermined the basis adopted by the AO for estimating

40% of the purchases as inflated and vehemently contended that the AO had failed to distinguish between transactions where documents were actually unavailable and transactions where the documents were not statutorily or commercially required. Even in respect of the limited transactions where certain ancillary documents could not be traced, the assessee had furnished primary purchase invoices, goods receipt notes, vendor ledgers, material inward registers and evidence of payments through banking channels, it is argued that the non-availability of e-way bills in respect of 2.73% of the purchases and weighment slips in respect of 2.33% of the purchases could not possibly justify an estimated disallowance of 40% of the entire expenditure.

19. It is also submitted that the AO had erroneously adopted the gross purchase value inclusive of GST while computing the estimated disallowance. It is pointed out that the GST component, to the extent accounted for as eligible input tax credit, had not been claimed as expenditure in the profit and loss account, argued vehemently any disallowance computed on the gross invoice value without excluding the eligible GST component would result in disallowance of an amount which had not been claimed as a deduction.

20. The ld.AR submits that the addition towards alleged inflation of subcontract expenditure, that the AO himself had expressly acknowledged in the assessment order that the subcontractors had actually executed the works entrusted to them and that such works had been duly certified by the concerned Government authorities, contended that this categorical finding was wholly inconsistent with the subsequent disallowance of 40% of the subcontract expenditure on the allegation that the payments were inflated or non-genuine. He submits that the assessee had furnished comprehensive

project-wise evidence comprising subcontract agreements, work orders, running account bills, Government-certified measurement records, memoranda of payment, GST invoices, stage-wise work completion certificates, geo-tagged photographs, pour cards, quality inspection reports issued by independent agencies, contemporaneous correspondence and Government-issued experience certificates, argued that these documents establishes the actual execution, measurement, verification and certification of the subcontract works by independent Government authorities and technical agencies. It is further pointed that the AO had not identified any specific instance of inflated quantities, fictitious work, duplicate billing, application of incorrect rates or manipulation of Government-certified measurement records. No Government engineer or certifying authority had been examined to establish that the work certified by the department was not actually executed. It is vehemently contended that, once the actual execution of work stood established through independent technical evidence and was acknowledged by the AO himself, the corresponding expenditure could not be disallowed on an arbitrary percentage basis without identifying specific defects in the certified work or the related payments.

21. He submits that the assessee was executing large infrastructure projects for Government departments and undertakings under contracts involving technical supervision, stage-wise verification and prescribed completion schedules. The running account bills were ordinarily certified only after verification of the quantities recorded in the Measurement Books by competent engineers, argued that such independently certified records carried substantial evidentiary value and could not be brushed aside merely on the basis of uncorroborated electronic spreadsheets found in the possession of an employee. The Assessing Officer had neither disproved

these records nor established that any corresponding portion of the certified expenditure had been received back by the assessee in cash and argued that the AO had failed to identify any material demonstrating that precisely 40% of the subcontract expenditure represented accommodation payments. Neither the seized electronic records nor the statements recorded during the search furnished any rational basis for adopting the said percentage, vehemently contended that the addition was founded upon an arbitrary extrapolation of suspicion rather than an examination of the actual subcontract transactions.

22. Further he drew our attention to the comparative profitability statement furnished before the ld. CIT(A), reproduced at page 96 of the impugned order. He submits that the assessee had consistently disclosed net profit ratios of 10.12%, 11.83%, 10.81%, 11.12%, 11.46% and 9.59% for the financial years 2018-19 to 2023-24, respectively. In particular, for the financial year 2019-20 relevant to the assessment year under consideration, the assessee had disclosed a net profit ratio of 11.83%, which was substantially higher than the profitability reported by several comparable concerns engaged in EPC and infrastructure activities. It is submitted that the comparative statement included companies such as Toshiba Water Solutions Private Limited, KLSR Infratech Limited, The Indian Hume Pipe Company Limited, Rajkamal Builders Infrastructure Private Limited, NCC Limited, VA Tech Wabag Limited, URC Construction Private Limited and Anchor Ceramic Co. Private Limited, pointed out that the net profit ratios of these concerns for the financial year 2019-20 ranged from a loss of 9.99% to a profit of 8.37%, whereas the assessee had declared a net profit ratio of 11.83%. He vehemently contended that the said comparison demonstrated that the assessee had already disclosed profits substantially higher than those prevailing among several comparable EPC contractors. It is further submitted that the Government

schedules of rates applicable to infrastructure projects generally contemplated contractors' gross margins in the range of approximately 6.5% to 10%, depending upon the nature of the work, it is contended that the assessee's consistently healthy net profit ratios, considered along with the commercial realities of competitive tendering and execution of Government contracts, rendered the Assessing Officer's allegation of large-scale inflation of expenditure commercially improbable, accordingly, the disallowance of 40% of subcontract expenditure would artificially enhance the taxable profits to commercially unrealistic levels, notwithstanding that the actual execution of the corresponding works stood established through independent documentary evidence.

23. He further submits that the books of account of the assessee were regularly maintained in the ordinary course of business, duly audited u/s.44AB of the Act and produced before the AO during the assessment proceedings. It is pointed out that the AO had neither rejected the books of account by invoking section 145(3) of the Act nor recorded any finding that the accounts were incomplete, incorrect or unreliable. No specific defect had been established in the purchase ledgers, subcontract bills, quantitative records or project execution accounts. It is contended that, in the absence of rejection of the books of account and without identifying any specific item of non-genuine expenditure, the AO was not justified in substituting the expenditure recorded in the audited books with an arbitrary estimated disallowance of 40%. Ld.AR argued that an estimate of expenditure could not be sustained merely on general suspicion or broad allegations arising from search materials, further that the AO was required to establish the factual basis for disallowance of the particular expenditure claimed by the assessee and that the absence of such evidence rendered the estimation unsustainable.

24. Coming to the Judgment of the Hon'ble High Court of Bombay in the case of PCIT v. Kanak Impex (India) Ltd. [2025] 172 taxmann.com 283 (Bom.), it is submitted that the said decision was clearly distinguishable on facts and had no application to the present case. It is pointed out that, in the case before the Hon'ble High Court of Bombay, the assessee had failed to participate in the reassessment proceedings and had not discharged the primary onus of establishing the genuineness and source of the purchases. The purchases were found to be bogus and the assessee had failed to furnish satisfactory evidence demonstrating that the transactions had actually taken place, in those circumstances, the Hon'ble High Court held that the appellate authorities were not justified in restricting the addition merely to an estimated profit element after the genuineness of the purchases had remained unproved. It is submitted that the factual position in the present case was materially different. The assessee had fully participated in the assessment proceedings and furnished voluminous primary evidence establishing the receipt and consumption of materials, including purchase invoices, goods receipt notes, material inward registers, vendor ledgers, e-way bills wherever applicable, weighment slips and evidence of payments through banking channels, the AO himself had acknowledged that genuine purchases had been made from the identified vendors, thus, unlike the case of Kanak Impex (India) Ltd*. (Supra)*, the present case was not one where the assessee had failed to substantiate the very existence of the purchases. It is contended that the Revenue could not invoke the ratio of the said decision merely by describing the disputed transactions as bogus, without first establishing that the materials were never purchased or received. It is further submitted that the Judgment in Kanak Impex (India) Ltd*. (Supra)* concerned the applicability of section 69C of the Act in circumstances where the genuineness and source

of the purchases had not been satisfactorily explained. In the present case, the expenditure was duly recorded in the regular books of account, payments were made through disclosed banking channels and the materials were stated to have been received and utilised in Government infrastructure projects. The AO had made an estimated disallowance of 40% u/s.37(1) of the Act without establishing that the source of the expenditure was unexplained, argued vehemently the factual and statutory foundation on which the Hon'ble High Court of Bombay rendered its decision was materially different from the controversy arising in the present appeal.

25. He argued vehemently that the decision in Kanak Impex (India) Ltd. could not be construed as laying down proposition that every purchase suspected to be non-genuine must necessarily be disallowed in its entirety, irrespective of the documentary evidence establishing actual receipt and utilisation of goods. The principle emerging from the said decision was that the assessee must satisfactorily establish the genuineness of the disputed purchases. In the present case, the ld. CIT(A), upon a detailed examination of the evidence, had recorded findings substantially accepting the genuineness of the transactions and the Revenue's reliance upon the said judgment was misplaced.

26. As far as the reliance placed by the Revenue on the decision of the Hon'ble Supreme Court in B. Kishore Kumar v. DCIT [2015] 62 taxmann.com 215 (SC), arising from the judgment of the Hon'ble High Court of Madras reported in [2014] 52 taxmann.com 449. It is submitted that the Revenue had failed to appreciate the factual context in which the said decision was rendered. In that case, the assessee had made a clear, categorical and undisputed admission of specific undisclosed income during the course of

search proceedings, which was also supported by the seized documents and printouts. The Hon'ble High Court held that, in the presence of such a voluntary admission, the addition could be sustained on the basis of the statement recorded during the search. It is submitted that no comparable admission existed in the present case and the Managing Director had not admitted that the entire purchases and subcontract expenditure were bogus, nor had he admitted any specific amount equivalent to 40% of the disputed expenditure as undisclosed income. On the contrary, he had expressly maintained that substantial purchases and subcontract transactions were genuine and had sought an opportunity to substantiate them through documentary evidence. Ld.AR submits that the assessee had furnished elaborate submissions along with supporting documents before the office of DDIT(Inv) immediately after search, likewise, the assessee company filed voluminous supporting documents to substantiate the purchases and sub contract payments before the AO and the AO himself after verification of the submissions during the assessment proceedings had subsequently acknowledged the existence of genuine purchases and the actual execution of subcontract works. It is further submitted that the decision in B. Kishore Kumar (Supra) did not dispense with the requirement of examining the true scope of an admission or authorise the AO to estimate an arbitrary amount beyond what was actually admitted or established by evidence, contended that a statement recorded u/s.132(4) of the Act, though relevant and admissible evidence, was required to be read as a whole and appreciated in the light of the surrounding circumstances and documentary records. Where the assessee had furnished substantial evidence establishing the genuineness of the transactions and the AO himself had accepted actual purchases and execution of works, the Revenue could not selectively rely

upon certain portions of the statement to justify an estimated disallowance of 40%.

27. He further submits that the assessee, with a view to avoiding prolonged litigation and without admitting the allegations of bogus purchases or inflated subcontract expenditure, had voluntarily offered an aggregate ad hoc additional income of Rs.16 crores across the relevant assessment years, including Rs.1,50,00,000/- for A.Y. 2020–21, contended that the said amount had already been included in the return of income furnished in response to the notice issued u/s.148 of the Act and that the AO had proceeded to make further estimated additions without properly appreciating the additional income already offered. It is submitted that the ld.CIT(A), after considering the extensive documentary evidence and the limited deficiencies noticed in certain supporting records, had considered a restricted estimation of 5% reasonable under each head. However, since the assessee had already offered additional income of Rs.1,50,00,000/- for the assessment year under consideration, which exceeded the aggregate restricted disallowances quantified by the ld. CIT(A), no further addition was warranted. He vehemently contended that the relief granted by the ld. CIT(A) was not based upon an unqualified acceptance of the assessee's contentions but upon a reasoned appreciation of the evidence, the residual documentary deficiencies and the additional income already offered.

28. It is further submitted that the Revenue had failed to demonstrate any perversity in the factual findings recorded by the ld. CIT(A) and had not identified any specific purchase invoice or subcontract bill which had been wrongly accepted by the ld. CIT(A), nor had it demonstrated that the quantitative reconciliations, Government-certified work execution records or

other primary documents were fabricated or unreliable. The ld.DR had merely reiterated the allegations made in the assessment order and relied upon the seized electronic records and statements without establishing the quantum of expenditure allegedly inflated. It is vehemently contended that the entire foundation of the additions made by the AO was legally and factually unsustainable and there was no incriminating material establishing receipt of cash corresponding to 40% of the purchases or subcontract expenditure; that the Managing Director had not admitted that the entire expenditure was bogus, that the AO himself had acknowledged the genuineness of substantial purchases and actual execution of subcontract works, that the primary documentary evidence furnished by the assessee had not been disproved, that e-way bills and weighment slips were either available or not applicable in respect of approximately 97.27% and 97.67% of the aggregate purchases, respectively, that the audited books of account had not been rejected, and that no rational basis had been furnished for the adoption of a uniform disallowance of 40%. The ld.CIT(A), having examined the materials in detail and recorded findings concerning the genuineness of the transactions, the absence of adequate corroboration and the excessive nature of the estimation adopted by the AO, had rightly restricted the disallowances and granted consequential relief after considering the additional income already offered by the assessee, prayed that the order of the ld. CIT(A) be upheld and the appeal filed by the Revenue be dismissed.

29. He drew attention to the recent decision of the Co-ordinate Bench of this Hon'ble Tribunal in the case of *DCIT v. Somu Sarvai Ramachandran*, in ITA Nos.1849, 1850 and 1855/Chny/2026, along with the connected appeals in the case of *DCIT v. Keyem Infra Project Pvt. Ltd.*, in ITA Nos.2055 and 2056/Chny/2026, vide common order dated 18.09.2026, it is submitted that

the facts and circumstances obtaining in the aforesaid cases were substantially similar to those involved in the present appeal, inasmuch as the assessee's therein were also engaged in the execution of Government engineering and infrastructure contracts and were subjected to search proceedings u/s.132 of the Act on 05.04.2024. Consequent to the search, the AO, relying upon certain seized electronic records, WhatsApp communications, loose sheets, diaries and sworn statements, alleged that the assessee's had obtained accommodation invoices for inflating their purchase expenditure and generating unaccounted cash. Based on a verification exercise conducted in respect of purchases for one financial year, the AO estimated 43.99% of the purchases as bogus and mechanically applied the said percentage across the relevant assessment years, including in the case of a separate legal entity. It is submitted that, upon appeal, the ld.CIT(A) in those cases had undertaken a detailed examination of the documentary evidence, including purchase invoices, material receipt notes, stock registers, e-way bills, weighment slips and site-level consumption records, and found that the AO had failed to identify any specific purchase transaction as fabricated or non-existent. The ld.CIT(A) further noticed that the AO himself had acknowledged the existence of genuine purchases and that the alleged deficiencies substantially related to the non- availability of certain ancillary supporting documents. Accordingly, the ld.CIT(A) restricted the estimated disallowance of 43.99% to 5% of the purchase expenditure. Aggrieved by the relief so granted, the Revenue preferred appeals before this Tribunal, while the assessee's filed cross-objections challenging the residual disallowance of 5%. He drew our attention to paragraphs 59 and 60 of the aforesaid order, wherein the Co-ordinate Bench specifically observed that the AO, having acknowledged that the entire purchases from the identified vendors were not bogus, could not proceed to disallow 43.99% of the purchases merely on

account of discrepancies in supporting documentation. It is further submitted that the Co-ordinate Bench had categorically disapproved the methodology adopted by the Assessing Officer in mechanically extrapolating the estimated percentage of 43.99%, determined on the basis of a verification exercise relating to one financial year and one assessee, to other assessment years and a distinct legal entity. The Tribunal held that a disallowance of expenditure must rest upon a transaction-specific or, at the very least, a year-specific and entity-specific examination of the material on record and that an estimated percentage determined for one year could not be mechanically applied to other years without independent verification. It is contended that the said principle was directly applicable to the present case, wherein the AO had adopted a uniform disallowance of 40% without establishing any corresponding quantum of inflated purchases or subcontract expenditure through specific and cogent evidence.

30. Further drew our attention to paragraph 61 of the said order, wherein the Co-ordinate Bench considered the sustainability of the residual disallowance of 5% confirmed by the ld. CIT(A). The Tribunal observed that, although an addition could not ordinarily rest upon presumption, generalisation or bare estimation, the existence of certain residual documentary deficiencies, considered in conjunction with the seized electronic records and surrounding circumstances, justified the adoption of a reasonable and calibrated estimation. He submits that the Tribunal upheld the decision of the ld. CIT(A) restricting the disallowance to 5% of the purchases, holding that such quantification was neither arbitrary nor excessive and that no interference was warranted either by enhancing the disallowance, as sought by the Revenue, or by deleting it altogether, as sought by the assessees.

31. The ld.AR submits that drawing a parallel with the present case, the assessee herein stood on an equally strong and factual footing, inasmuch as the purchases were supported by primary documentary evidence and the actual execution of subcontract works was independently verified and certified by competent Government authorities. It is further submitted that the detailed quantitative reconciliation furnished by the assessee demonstrated that e-way bills were either available or not statutorily required in respect of approximately 97.27% of the purchases and that weighment slips were either available or not separately required in respect of approximately 97.67% of the purchases. He argued that residual documentary deficiencies in the present case were quantitatively insignificant when compared with the sweeping disallowance of 40% made by the AO, contending that the reasoning adopted by the Co-ordinate Bench in rejecting the Revenue's attempt to restore the disallowance of 43.99% applied with equal force to the present appeal.

32. It is further submitted that the Co-ordinate Bench had ultimately dismissed the Revenue's appeals in ITA Nos.1849, 1850, 1855, 2055 and 2056/Chny/2026 and confirmed the disallowances restricted to 5% by the ld. CIT(A). It is contended that the ld. CIT(A) in the present case had adopted an identical approach by restricting the estimated disallowances towards purchases and subcontract expenditure from 40% to 5%, after a detailed examination of the evidence. He further, submits the assessee herein had already voluntarily offered additional income of Rs.1,50,00,000/- by way of adhoc estimated disallowance in the return furnished u/s.148 of the Act for the assessment year under consideration, which exceeded the aggregate disallowances quantified at 5% and the ld.CIT(A), while following a reasonable estimation approach, had rightly directed deletion of the further additions

made by the AO. He prayed that, following the reasoning adopted by the Co-ordinate Bench, the order of the ld. CIT(A) restricting the disallowances to 5% and granting consequential relief after considering the additional income already offered by the assessee be upheld. Further, he prayed to dismiss ground nos. 1 to 6 raised by the Revenue.

33. Heard both the parties and perused the material available on record. We find the only issue arises for our consideration is as to whether, in the facts and circumstances of the case, the AO was justified in treating 40% of the purchases and subcontract expenditure as non-genuine or inflated, merely on the basis of certain Excel sheets, WhatsApp communications, statements recorded during the search proceedings and perceived deficiencies in supporting documentation, notwithstanding the existence of substantial primary evidence establishing receipt and consumption of materials and actual execution of subcontract works, further, as to whether the ld.CIT(A), upon a detailed appreciation of the evidentiary material, was justified in restricting the disallowances to 5% and granting consequential relief having regard to the additional income already offered by the assessee.

34. We find the assessee is engaged in the execution of engineering, procurement and construction contracts, particularly projects relating to water supply, underground sewerage systems, wastewater treatment and solid waste management, undertaken for various Government departments and public authorities. The nature of the assessee's business necessarily involves procurement of substantial quantities of construction materials from numerous vendors, engagement of specialised subcontractors and execution of works at geographically dispersed project sites. The expenditure incurred towards purchases and subcontract works constitutes an integral component of the

cost of execution of such contracts. The genuineness of the expenditure in our opinion, must therefore be examined in the context of the actual procurement, receipt and consumption of materials and the execution, measurement and certification of the corresponding works, rather than by reference to isolated accounting entries or ancillary documents alone.

35. With reference to the addition towards alleged bogus purchases, we find that the AO had disallowed of Rs.6,49,14,324/-, being 40% of purchases aggregating to Rs.16,22,85,810/- for the assessment year under consideration and the basis for such disallowance was the allegation that certain vendors payments provided accommodation invoices, that the corresponding payments were routed back to the assessee in cash. We note the AO relied upon electronic records and statements recorded during the course of search proceedings and also referred to the non-availability of certain e-way bills and weighment slips in respect of purchases from identified vendors. We note that the ld.CIT(A) upon an elaborate examination of the assessment order and the evidence furnished by the assessee, found that the AO had not identified specific purchase transactions as fictitious or inflated, but adopted a uniform rate of disallowance of 40% on an estimated basis.

36. We find that the AO himself had acknowledged that genuine purchases were made from the vendors identified during the search proceedings and the assessment order records that, upon verification of the documents furnished by the assessee, substantial purchases were found to be supported by documentary evidence. The AO had undertaken a test-check of purchases relating to 34 vendors aggregating to Rs.53,72,37,105/- across the relevant years and had not concluded that the entire purchases from such vendors were bogus, inspite of the same, the AO proceeded to disallow 40% of the

expenditure without identifying which particular invoices represented fictitious purchases, which quantities of materials were not received or which payments had actually been returned to the assessee in cash. Therefore, we are unable to appreciate how the acknowledgment of genuine purchases could simultaneously furnish the basis for a disallowance of 40% without any further transaction-specific verification.

37. Further, we find that the assessee during the assessment proceedings had produced before the AO purchase invoices bearing GST particulars, vendor ledgers, material inward registers, goods receipt notes, copies of e-way bills, weighment slips and evidence of payments through normal banking channels. We find that the AO has not recorded any categorical finding that these primary documents were fabricated, that the stock registers contained fictitious entries, that the materials were not received at the respective project sites or that the quantities shown as consumed were inconsistent with the actual works executed. In the absence of such findings, in our opinion, the mere existence of discrepancies in certain ancillary documents cannot, by itself, establish that the corresponding purchases were bogus or inflated.

38. On an examination of the order of ld.CIT(A) we find that the AO had failed to distinguish between non-availability of a document and non-applicability of the requirement to generate or maintain such document. The assessee had specifically explained that e-way bills were not required in respect of certain intra-State transactions below the prescribed monetary threshold, while weighment slips were not ordinarily generated for several categories of materials measured in numbers, units, metres or other quantities rather than by weight. Similarly, purchases of steel in quantities below ten metric tonnes were stated to have been verified through supplier records,

physical counting and site-level receipt registers, we find that the Revenue had not challenged these explanations before the Tribunal and in support of the above, we find that the ld.CIT(A) had undertaken a vendor-wise examination of the discrepancies pointed out by the AO and had specifically discussed the transactions relating to M/s. Shri Lekshme Enterprises and M/s. Aishwaryalakshmi Hitech Solutions Pvt. Ltd. We find that the said examples demonstrate the fundamental infirmity in the methodology adopted by the AO and in the case of M/s. Shri Lekshme Enterprises, the AO had treated purchases aggregating to Rs.38,37,694/- out of total purchases of Rs.92,49,140/- as inadequately supported and estimated documentary deficiency at 41%. We note that the ld. CIT(A), noticed that the purchases related to consumables, MS pipes, TMT bars, hardware, cement, pumps and motors procured for the Rajapalayam underground sewerage project and were supported by invoices containing the project-site particulars and entries in the goods inward registers.

39. We note that the ld.CIT(A) further noticed that invoices aggregating to Rs.4,00,160/- had been counted twice by the AO that several invoices related to materials for which weighment slips were not ordinarily applicable; that 30 out of the 39 invoices considered for e-way bill verification were below the prescribed monetary threshold and that the value considered by the AO included GST of Rs.14,68,963/- which had not been debited to the profit and loss account. We find these factual explanations were supported by the records already on record before the AO and the ld.CIT(A) has rightly held that the estimation of documentary inadequacy at 41% in respect of this vendor was based on incomplete and erroneous appreciation of the facts. Further, in the case of M/s. Aishwaryalakshmi Hitech Solutions Pvt. Ltd., the AO had treated purchases aggregating to Rs.11,01,447/- relating to 18

invoices out of total purchases of Rs.50,26,605/- as inadequately supported, thereby estimating documentary deficiency at 22%. The ld.CIT(A) found that the purchases predominantly comprised consumables, cutting wheels, blades, wires, paints, small quantities of steel, sheets and other construction materials, most of which were procured through invoices below the prescribed threshold for e-way bills. We note that the assessee had also produced goods inward register entries, including particulars of the materials received and verified by site engineers. The ld.CIT(A) further noticed that the amount considered by the AO included GST of Rs.7,93,996/- which had not been claimed as expenditure. In the absence of any finding that the supplier was non-genuine, that the goods were not received or that the supporting records were fabricated, we find there is no error or no infirmity in the conclusion of the ld. CIT(A) that the estimated deficiency of 22% did not establish non-genuine purchases. We find that the aforesaid vendor-wise examination assumes significance as it demonstrates that the alleged documentary deficiencies were not necessarily indicative of fictitious transactions. On the contrary, the AO has adopted a generalized approach and arrived an adhoc 40% disallowance in respect of purchases and ignored the applicable statutory requirements, the manner of procurement at project sites and the availability of alternative primary evidence establishing receipt and consumption. The ld.CIT(A), having examined the explanations furnished in respect of the 34 vendors, was justified in holding that the generalized estimation adopted by the AO was not supported by a proper appreciation of the underlying transactions.

40. Coming to the comprehensive reconciliation of purchases undertaken by the assessee aggregating to approximately Rs.118.40 crores across the relevant financial years, with particular reference to the availability and

applicability of e-way bills and weighment slips. The said reconciliation demonstrated that e-way bills were either available or not required in respect of approximately 97.27% of the gross purchases, whereas the value of purchases for which e-way bills could not readily be traced constituted only 2.73% of the total. Further, weighment slips were either available or not separately required in respect of approximately 97.67% of the gross purchases, leaving only 2.33% of the purchases for which such slips could not readily be traced. We find the ld. CIT(A) examined the said reconciliation and considered it material to the determination of the alleged documentary inadequacies. Further, we find that the aforesaid reconciliation substantially undermines the basis adopted by the AO for disallowing 40% of the purchases. We note that the AO had not demonstrated any correlation between the value of purchases for which documents were unavailable and the quantum of expenditure treated as bogus. Nor had he identified any material showing that the transactions falling within the limited category of non-traceable documents were, accommodation entries. The ld.CIT(A) was therefore, in our opinion, justified in rejecting the proposition that the non-availability of certain e-way bills or weighment slips automatically rendered the corresponding purchases non-genuine.

41. As discussed above, the assessee was executing Government infrastructure projects at several geographically dispersed locations, involving decentralised procurement, local purchases, direct delivery of materials to project sites, temporary site establishments and immediate consumption of materials in the execution of works. The requirements for e-way bills, weighment slips and delivery documentation necessarily varied depending upon the nature, quantity and value of the materials procured and the applicable statutory provisions. The assessee had also explained the practical

difficulty in retrieving certain old ancillary records following completion of projects and dismantling of temporary site offices. These explanations were not effectively rebutted by the Revenue and the ld.CIT(A) had rightly considered the commercial circumstances surrounding the transactions rather than treating every documentary omission as evidence of a bogus purchase. We find that the ld.CIT(A) noticed the inclusion of the GST component in the purchase value adopted for estimation. In this regard, we find the assessee had specifically contended that the aggregate purchase value considered by the Assessing Officer included GST of Rs.21,86,13,068/- which, to the extent accounted for as eligible input tax credit, had not been debited to the profit and loss account. We find that the ld.CIT(A) examined this objection and observed that disallowance of an amount not claimed as expenditure would be erroneous and in our opinion a disallowance u/s.37(1) of the Act must necessarily relate to expenditure actually claimed in computing taxable income, where an amount represents eligible input tax credit and has not been charged to the profit and loss account, the same cannot ordinarily form part of the expenditure sought to be disallowed. The AO's failure to distinguish the deductible purchase cost from the recoverable GST component constitutes an additional infirmity in the computation.

42. We find that the AO adopted a uniform disallowance of 40% across multiple assessment years notwithstanding that the nature of the projects, vendors, procurement arrangements and documentary records varied from year to year. No year-specific exercise was undertaken to establish that identical deficiencies existed in the same proportion in each assessment year. No statistically reliable sample or objective computation was brought on record to demonstrate that 40% represented the actual or reasonably ascertainable extent of inflation. The ld. CIT(A), in paragraphs 6.3.25 to 6.3.31

of the impugned order, has dealt with this infirmity in considerable detail and has rightly held that a percentage derived without a rational nexus to the actual transactions cannot be mechanically applied across different years and vendors, therefore, we find no infirmity in the findings of the ld.CIT(A).

43. In this regard, we find that the books of account of the assessee were duly maintained and audited u/s.44AB of the Act and admittedly the AO had not rejected the books of account u/s.145(3) of the Act, nor had he identified any fundamental defect in the stock records, quantitative details, purchase ledgers or material consumption accounts. It was argued by the ld.AR, vehemently, that where the AO seeks to substitute a substantial portion of regularly recorded business expenditure by a broad estimated disallowance, without identifying specific fictitious transactions or demonstrating the unreliability of the underlying records, the absence of any finding in rejecting or discrediting the books assumes considerable significance. We find in the present case, the AO has neither established specific non-genuine expenditure nor demonstrated any objective basis for the adoption of 40%. Therefore, we find no infirmity in the findings of the ld.CIT(A) in holding that the estimation is arbitrary and cannot be sustained in the manner adopted in the assessment order.

44. Coming to the Revenue's contention that the seized Excel sheets and WhatsApp communications established the existence of accommodation invoices and receipt of cash. We note it is necessary to distinguish between the evidentiary relevance of such material and the quantum of expenditure that can legitimately be disallowed on its basis, at the same time, the existence of such material does not automatically establish that 40% of the purchases were fictitious, in our opinion, the AO was required to correlate the relevant

entries with identifiable invoices, payments, vendors and alleged cash receipts and to determine the extent to which the recorded expenditure was actually inflated, we find no such comprehensive transaction-wise reconciliation has been demonstrated in the assessment order. Further, we find that the Managing Director had not made any categorical admission that the entire purchases from the identified vendors were bogus or that 40% of the expenditure represented accommodation entries. On the contrary, the statements and subsequent explanations indicated that substantial purchases were genuine and that supporting records would be furnished. The AO himself, upon examining the documents produced, acknowledged the existence of genuine transactions and a statement recorded u/s.132(4) of the Act, being relevant evidence, must be read in its entirety and appreciated in the context of the surrounding facts, in our opinion, it cannot be selectively relied upon to justify a quantification which is neither expressly admitted nor otherwise established through independent evidence. Thus, the ld.CIT(A) was justified in concluding that the addition of Rs.6,49,14,324/- towards alleged bogus purchases, computed by applying a flat rate of 40%, was not supported by adequate transaction-specific evidence, was inconsistent with the primary documentary records and was excessive having regard to the actual deficiencies noticed. The findings recorded by the ld.CIT(A) concerning the vendor-wise explanations, statutory non-applicability of certain documents, reconciliation of purchases, inclusion of the GST component, acceptance of audited books and absence of a rational basis for estimation are justified and we find no infirmity in the order of the ld.CIT(A). Accordingly the Revenue's arguments are not accepted.

45. Regarding the second addition of Rs.2,62,37,700/- made by the AO towards alleged inflation of subcontract expenditure, being 40% of the

subcontract payments aggregating to Rs.6,55,94,250/- for the assessment year under consideration. The AO relied upon certain Excel sheets and WhatsApp communications recovered from the laptop and mobile device of Shri T. Devarajulu, Manager (Accounts and Taxation) of the assessee, and concluded that the subcontract payments were inflated and that a portion of the amounts paid through banking channels had been received back in cash. We find the ld. CIT(A), after examining the seized materials, sworn statements, subsequent retraction, audited books of account and extensive evidence relating to execution of the subcontract works, held that the estimated disallowance of 40% was not sustainable in its entirety.

46. We find that the ld. CIT(A), in paragraphs 6.4.8 to 6.4.17 of the impugned order, has elaborately examined the circumstances surrounding the discovery of the electronic records in the possession of Shri T. Devarajulu. It was explained that, apart from being employed with the assessee company, Shri T. Devarajulu was independently rendering accounting, taxation and GST consultancy services to certain subcontractors, including concerns connected with M/s. A.V. Rambabu Infra Private Limited and M/s. Wett Engineering Enterprises. We note the assessee had produced the income-tax returns and Form 26AS of Shri T. Devarajulu, which reflected consultancy income received from such entities and the assessment order itself acknowledged the existence of these independent professional engagements. The ld.CIT(A) considered that the discovery of Excel sheets and other digital records in his personal folders could not, without further verification, establish that those records represented the business transactions or undisclosed cash receipts of the assessee. The ld.AR stated that the assessee had come to the independent affairs of Shri T Devarajulu only after the search as is evident from the submissions of the assessee before the AO. We find force in the

arguments of ld.AR that the mere fact that a document is recovered from the possession of an employee does not automatically establish that every entry contained therein represents a transaction undertaken on behalf of the employer. Where the employee is independently engaged in providing professional services to third parties and such engagements are supported by income-tax records, the nature and ownership of the underlying transactions require careful examination. The evidentiary value of the seized records cannot be determined solely by their place of recovery, it is necessary to ascertain the author, purpose, contents and actual connection of the records with the assessee's business. We noticed that in the present case, the AO had not demonstrated that the Excel sheets formed part of the regular books of account of the assessee or that the alleged cash-back entries were supported by corresponding cash receipts in the hands of the assessee. We find that Shri T. Devarajulu had subsequently furnished a written retraction explaining that the earlier statement suggesting inflation of subcontract payments or receipt of cash was incorrect and had been made under stress and confusion during the search proceedings. We find that the retraction was accompanied by an explanation concerning his independent consultancy assignments and the circumstances in which the Excel sheets were maintained. We find where a statement is subsequently retracted with an explanation supported by independent records, in our opinion, the AO is required to examine the explanation and assess the statement in conjunction with the remaining evidence, therefore, we find no infirmity in the order of the ld.CIT(A) in holding that the AO could not selectively rely upon the portions of the original statement while disregarding the clarificatory portions and the subsequent explanation without adequate examination. We note that the Managing Director, when confronted with the allegations concerning subcontract payments, had disputed the suggestion that the subcontract

expenditure was bogus and had sought time for reconciliation. The statement did not contain any categorical admission that 40% of the subcontract payments were inflated or that such percentage of the expenditure had been received back in cash. The AO, in our opinion, was required to establish the alleged inflation through independent evidence and transaction-specific verification. We find, in this regard, the ld. CIT(A) has correctly appreciated this distinction between the existence of suspicious entries in electronic records and the establishment of a definite quantum of inflated expenditure.

47. Further, the ld. CIT(A) held that the AO himself had expressly acknowledged that the subcontractors had actually executed the works entrusted to them and that such execution stood certified by the concerned Government authorities. The assessment order recognised that the projects had been implemented, the works were physically executed at the respective sites and the corresponding running account bills were certified by competent Government engineers. We note the said finding assumes considerable significance because the Revenue's allegation was not merely that certain documents were deficient, but that a substantial portion of the subcontract expenditure represented accommodation transactions or inflated payments. We find force in the arguments of ld.AR that once the actual execution of the works is acknowledged, the corresponding expenditure cannot be treated as substantially fictitious without identifying specific defects in the quantities, rates, measurements or payments.

48. We further find that the assessee had furnished comprehensive documentary evidence relating to the subcontract works, including contracts awarded by Government departments, work orders issued to subcontractors, subcontract agreements, running account bills, measurement records,

memoranda of payment, GST invoices, project-wise reconciliation statements, work completion certificates and other records generated during execution of the contracts in addition to the above. The assessee had also produced comparative mappings of the running account bills raised by the subcontractors and those certified by the Government departments, thereby demonstrating the relationship between the subcontracted works and the corresponding project execution, wherein, in our opinion, the above said documents constituted primary evidence concerning the nature, extent and value of the works actually executed. Regarding above, the ld.CIT(A) observed further noticed that the documentary evidence was not confined to internal accounting records maintained by the assessee which includes running account bills certified by Government engineers, measurements recorded in the prescribed Measurement Books, memoranda of payment approved by the concerned departments, third-party quality inspection reports, project correspondence, bank guarantees and Government-issued completion or experience certificates. Therefore, we find force in the arguments of ld.AR that these records formed part of the structured procedure followed in the execution and certification of public infrastructure projects. The existence of such independent technical and contractual records materially strengthened the assessee's claim that the subcontractors had actually undertaken and completed the works for which expenditure was recorded.

49. We also find that the assessee had produced geo-tagged photographs depicting execution of works at the relevant project locations, correspondence concerning progress of works, letters issued to subcontractors regarding delays or deficiencies in execution, minutes of project review meetings, communications from the client departments and other contemporaneous records, we find the ld. CIT(A) considered these documents as corroborative

evidence demonstrating the continuing involvement of the subcontractors in the execution of the projects and agreed that such evidence, when read with the certified running account bills and measurement records, provides substantial support for the genuineness of the subcontract arrangements.

50. Further, it is pertinent to note that the AO had not brought on record any technical evidence demonstrating that the quantities recorded in the running account bills were inflated, that the measurements certified by Government engineers were incorrect, that the rates applied were excessive, that the same work was billed twice or that payments were claimed in respect of works which had not been executed. No specific item of subcontract expenditure was identified as relating to fictitious work and the AO had also not demonstrated that the certificates issued by Government authorities were fabricated or that the underlying measurement records were manipulated. We note that in the absence of such findings, the need to sustain the proposition that 40% of the expenditure incurred towards the execution of independently certified works was inflated does not arise and unwarranted. We note that the ld.CIT(A)'s acceptance of actual execution of subcontract works and the simultaneous disallowance of 40% of the corresponding expenditure, without identifying any specific inflation in quantities, rates or payments, are positions which cannot reasonably be reconciled on the evidence presently available. In the present case, the AO has not established any such quantifiable inflation and the ld. CIT(A) was justified in holding that the mere existence of electronic communications suggesting possible routing of funds could not justify disallowance of 40% of the expenditure supported by certified execution records. Further, that the ld.CIT(A) had categorically stated that the search did not result in discovery of unaccounted cash, jewellery, bullion, other undisclosed assets or parallel books of account supporting the alleged large-

scale allegation requiring adhoc disallowance at 40%, held that the said allegation is based on largely on inference from certain excel sheets without any independent evidence, accordingly in our opinion, does not warrant any interference with the same.

51. We note that the ld. CIT(A) held that the books of account of the assessee were regularly maintained, duly audited and produced during the assessment proceedings. The AO had not invoked section 145(3) of the Act to reject the books, nor had he recorded any finding that the subcontract ledgers, project accounts, certified running account bills or quantitative records were fundamentally unreliable. No discrepancy was identified in the recorded quantities of work executed or the corresponding Government certifications. Therefore, the ld. CIT(A) was justified in holding that the broad percentage-based disallowance, in the absence of identified defects and a reliable evidentiary foundation, was unsustainable. Further, we find that the ld. CIT(A), in paragraphs 6.4.32 and 6.4.33 of the impugned order, considered the comparative profitability of the assessee and the prevailing commercial margins in the engineering and infrastructure contracting industry. The assessee had furnished a comparative statement demonstrating that it had consistently disclosed net profit ratios of 10.12%, 11.83%, 10.81%, 11.12%, 11.46% and 9.59% for the financial years 2018-19 to 2023-24, respectively. For the financial year 2019-20, relevant to the assessment year under consideration, the assessee had declared a net profit ratio of 11.83%. The ld. CIT(A) noticed that the profitability disclosed by the assessee compared favourably with the margins reported by several other concerns engaged in engineering and infrastructure activities.

52. The ld. CIT(A) further considered the assessee's explanation that Government infrastructure contracts are generally executed within the framework of prescribed Schedules of Rates, which ordinarily incorporate specified allowances towards overheads, contingencies and contractors' profit. The assessee had furnished details indicating that the gross margins contemplated under such schedules generally ranged between approximately 6.5% and 10%, depending upon the nature and complexity of the work. The ld.CIT(A) found that the assessee's declared profitability was broadly consistent with, and in certain years exceeded, therefore, we agree with the ld.AR that the profitability analysis constitutes a relevant corroborative circumstance in evaluating the commercial plausibility of the allegation of substantial inflation of expenditure.

53. Accordingly we appreciate that the ld. CIT(A), after examining the seized electronic records, statements and retraction, independent consultancy activities of Shri T. Devarajulu, Government-certified running account bills, measurement records, project correspondence, technical inspection reports, audited accounts and comparative profitability, had correctly concluded that the disallowance of Rs.2,62,37,700/- towards alleged inflated subcontract expenditure could not be sustained on the basis adopted by the AO. The Revenue has not demonstrated any material error or perversity in these factual findings, therefore, we agree with the conclusion of the ld.CIT(A) in holding the estimated disallowance of 40% was excessive, arbitrary and unsupported by adequate transaction-specific evidence.

54. Coming to the Revenue's contentions concerning the evidentiary value of the seized electronic records and the sworn statements recorded during the search proceedings, the ld.DR, Shri. C. Sivakumar, has strongly contended

that the ld.CIT(A) failed to appreciate the legal presumptions attaching to seized materials and the admissions made during the course of search. We agree with the ld.AR the existence of such evidentiary presumptions does not dispense with the requirement of examining the contents of the documents, the explanations furnished by the assessee and the actual quantum of income or expenditure sought to be assessed. The presumptions contemplated under sections 132(4A) and 292C of the Act are rebuttable in nature. We find where the assessee furnishes contemporaneous books of account, purchase invoices, quantitative records, banking evidence, Government-certified work execution records and other supporting documents, the AO is required to examine such evidence and determine whether the presumptions arising from the seized materials stand rebutted, wholly or partly, in our opinion, the statutory presumptions cannot be employed as a substitute for the factual exercise necessary to quantify a disallowance. In the present case, we find the ld. CIT(A) has not proceeded on the premise that the seized materials were wholly inadmissible or devoid of evidentiary value. On the contrary, the ld. CIT(A) has expressly taken cognizance of the Excel sheets, WhatsApp communications and statements relied upon by the AO and has considered the possibility that certain irregularities may have occurred in the course of the assessee's business operations. The ld. CIT(A), found that the said materials did not establish the allegation that precisely 40% of the purchases and subcontract expenditure represented non-genuine transactions. The distinction drawn by the ld. CIT(A) between the existence of suspicious material and the proof of a particular quantum of inflated expenditure is, legally justified. We also find that the Revenue has not demonstrated that the statements relied upon by the AO contained any clear admission quantifying bogus purchases or inflated subcontract expenditure at 40% of the corresponding amounts and the Managing Director had maintained that

substantial purchases and subcontract transactions were genuine, while the AO himself subsequently acknowledged the existence of genuine purchases and actual execution of subcontract works. The statement of Shri T. Devarajulu was subsequently retracted with an explanation concerning his independent professional activities, supported by income-tax records. Therefore we find no infirmity in the approach adopted by the ld. CIT(A) in examining the statements as a whole rather than treating isolated portions as conclusive evidence of the estimated additions.

55. In this regard, the ld. DR has placed reliance on the judgment of the Hon'ble Supreme Court in the case of B. Kishore Kumar v. DCIT reported in [2015] 62 taxmann.com 215 (SC), arising from the decision of the Hon'ble jurisdictional Madras High Court reported in [2014] 52 taxmann.com 449. We find in that case, the addition was sustained in the context of a clear admission of undisclosed income made during search proceedings, read with the supporting material available on record. The said decision establishes the evidentiary significance of an admission made u/s.132(4) of the Act and it does not lay down that every statement recorded during search, irrespective of its contents and surrounding circumstances, authorises an estimated addition of an amount not admitted or independently established. In the present case, there is no admission that 40% of the purchases or subcontract expenditure was bogus. The AO has also acknowledged the existence of genuine transactions and therefore the said decision is distinguishable on facts and does not justify restoration of the additions made by the AO.

56. In this connection, the ld.AR placed reliance on the Judgment of the Hon'ble Supreme Court in the case of Pullangode Rubber Produce Co. Ltd. v. State of Kerala reported in [1973] 91 ITR 18 (SC), wherein it was recognised

that an admission, though an important piece of evidence, is not conclusive and that the person making it is entitled to demonstrate that it was incorrect. Applying the said principle, we note that the explanations furnished by the assessee, the retraction submitted by Shri T. Devarajulu and the independent documentary evidence relating to purchases and subcontract works could not be disregarded merely because certain statements had been recorded during the search, thus, ld. CIT(A) was therefore justified in examining the substantive evidence before determining the sustainability of the additions.

57. We find ld.DR's reliance upon the judgment of the Hon'ble Bombay High Court in PCIT v. Kanak Impex (India) Ltd. (Supra). We note the said decision arose in a factual setting where the genuineness of the disputed purchases had not been satisfactorily established and the assessee had failed to discharge the requisite evidentiary burden. The assessee has furnished substantial documentary evidence concerning the receipt and consumption of materials, and the AO himself has acknowledged that genuine purchases were made from the identified vendors. The disputed expenditure is recorded in the regular books of account and the AO has not demonstrated that the entire transactions were fictitious. The present case therefore does not involve an unsubstantiated claim of purchases unsupported by primary evidence, therefore the decision relied upon by the Revenue does not advance its case for restoration of the estimated disallowance of 40%. We find that the power of the AO to determine taxable income must be exercised on the basis of relevant material having a rational connection with the conclusion reached. The Hon'ble Supreme Court in the case of Dhakeswari Cotton Mills Ltd. v. CIT reported in [1954] 26 ITR 775 (SC) has recognised that, although the income-tax authorities are not strictly bound by the technical rules of evidence, an assessment cannot rest upon pure guesswork without reference to material.

Likewise, the principle that suspicion cannot take the place of proof has been recognised by the Hon'ble Supreme Court in the case of Umacharan Shaw & Bros. v. CIT reported in [1959] 37 ITR 271 (SC). Applying these principles, we find that the AO was not justified in adopting a uniform disallowance of 40% without demonstrating how the seized materials or documentary deficiencies established inflation of expenditure to that extent. Further as discussed above, we find that the controversy arising in the present appeal is covered, insofar as the sustainability of the higher estimated disallowances is concerned, by the recent order of the Co-ordinate Bench of this Tribunal in the case of DCIT v. Somu Sarvai Ramachandran, in ITA Nos.1849, 1850 and 1855/Chny/2026, along with the connected appeals in DCIT v. Keyem Infra Project Pvt. Ltd., in ITA Nos.2055 and 2056/Chny/2026, vide common order dated 18.09.2026. In those cases, we find the assessee's were engaged in the execution of Government engineering and infrastructure contracts and were subjected to search proceedings on 05.04.2024. The AO, relying upon seized electronic records, WhatsApp communications, diaries and sworn statements, had alleged that certain purchases were accommodation transactions and had disallowed 43.99% of the purchase expenditure. Upon appeal, the ld. CIT(A) restricted the disallowance to 5%. The Revenue challenged the substantial relief granted by the ld. CIT(A), while the assessee's challenged the residual disallowance. The Co-ordinate Bench, after examining the assessment orders, documentary evidence and findings of the ld.CIT(A), specifically noticed that the AO himself had acknowledged the existence of genuine purchases. The Tribunal further found that the AO had not identified specific invoices as fabricated or demonstrated that the corresponding materials had not been received or consumed. The disallowance was founded upon perceived deficiencies in ancillary documents, including purchase orders, e-way bills, material receipt notes and

weighment slips, further, held that the absence of such documents in certain instances, without a proper examination of their applicability and without independent corroboration establishing non-genuine purchases, could not justify the substantial estimated disallowance made by the AO.

58. The Co-ordinate Bench also disapproved the methodology adopted by the AO in deriving the rate of 43.99% from a verification exercise relating to one financial year and mechanically applying the same rate across other assessment years and a distinct legal entity, further, the Tribunal observed that a disallowance must be supported by a transaction-specific or, at the very least, a year-specific and entity-specific examination of the material on record, accordingly rejected the Revenue's contention that the higher estimated disallowance should be restored. The Co-ordinate Bench considered the supporting documents and the evidentiary significance of the seized materials and statements, held that, although such materials did not justify the substantial disallowance made by the AO, the limited documentary deficiencies and surrounding circumstances could not be entirely ignored. Having regard to the totality of the facts, the Tribunal found that the ld. CIT(A) had adopted a reasonable and balanced approach in restricting the disallowance to 5%. The Co-ordinate Bench accordingly confirmed the restriction of purchase disallowance to 5% and dismissed both the Revenue's challenge seeking restoration of the higher disallowance and the assessee's challenge seeking complete deletion of the residual disallowance.

59. Here also, in the present case the AO has acknowledged genuine purchases, the assessee has furnished substantial primary documentary evidence and the alleged deficiencies largely concern the non-availability or non-applicability of certain ancillary documents. The AO has adopted a

uniform rate of 40% without establishing the actual quantum of fictitious or inflated expenditure. The ld. CIT(A), after an elaborate examination of the evidence, has restricted the disallowance to 5%. The factual and legal principles underlying the decision of the Co-ordinate Bench therefore support the rejection of the Revenue's attempt to restore the disallowance of 40%.

60. Following the Co-ordinate Bench in the case of Somu Sarvai Ramachandran (supra) and the connected appeals, and considering the evidence and findings recorded in the present case, we find that the ld. CIT(A) was justified in rejecting the AO's uniform disallowance of 40% and restricting the disallowances towards purchases and subcontract expenditure to 5%.

61. It is pertinent to note that the assessee had not furnished any fresh or additional documentary evidence before the ld. CIT(A) for the purpose of establishing the genuineness of the purchases or subcontract expenditure. The detailed statements and tabulations furnished before the first appellate authority merely explained, classified and reconciled the transactions appearing in the invoices and records already available before the AO. In particular, the analysis demonstrating that e-way bills were either available or not statutorily required in respect of approximately 97.27% of the aggregate purchases, and that weighment slips were either available or not separately required in respect of approximately 97.67% of such purchases, was arrived at by examining the dates, values, descriptions, quantities and nature of materials recorded in the existing purchase invoices and supporting records. In the present appeal, the Revenue has not raised any specific ground alleging violation of Rule 46A, nor has the ld. DR identified any particular invoice, e-way bill, weighment slip, subcontract agreement, measurement record or

other primary document which was admitted by the ld. CIT(A) for the first time without affording an opportunity to the AO.

62. We find, before the Co-ordinate Bench of this Tribunal in the case of Somu Sarvai Ramachandran (Supra) and the connected appeals in DCIT v. Keyem Infra Project Pvt. Ltd., in ITA Nos.1849, 1850, 1855, 2055 and 2056/Chny/2026, vide common order dated 18.09.2026, the Revenue had specifically challenged the order of the ld. CIT(A) on the ground that additional evidence had been admitted in violation of Rule 46A. The ld. AR therein, as recorded in paragraphs 17 to 17.6 at pages 29 to 32 of the Tribunal's order, demonstrated that no fresh evidence had been furnished before the first appellate authority and that the supplier-wise explanations merely clarified the documentary deficiencies identified by the AO on the basis of the invoices, material receipt notes, stock registers and other records already produced during assessment proceedings. It was further demonstrated that the percentages of supporting documents available in respect of the respective suppliers remained unchanged before the AO and the ld. CIT(A), thereby establishing that the explanations furnished during First Appellate proceedings did not involve the introduction of fresh documentary evidence. We find the Co-ordinate Bench, upon examining the rival submissions, specifically adjudicated this issue in paragraph 54 of its order and held that the Revenue had failed to identify even a single document or item of evidence which had been produced before the ld. CIT(A) for the first time, further held that the conclusions of the ld. CIT(A) were founded upon the appreciation of documents already available in the assessment record and the evaluation of explanations furnished by the assessee regarding the deficiencies noticed by the AO. Accordingly, the Co-ordinate Bench categorically held that there was

no violation of Rule 46A and rejected the Revenue's ground challenging the admission of alleged additional evidence.

63. In the present case, we find the ld. CIT(A) has merely analysed the existing invoices and supporting records to ascertain the actual extent of non-availability or non-applicability of e-way bills and weighment slips. The exercise undertaken by the ld. CIT(A) cannot be characterised as admission of additional evidence merely because the First Appellate authority arrived at a different factual conclusion upon a more detailed scrutiny of the same records. Therefore, that the findings recorded by the ld. CIT(A) are not vitiated by any procedural irregularity under Rule 46A and the detailed quantitative analysis undertaken by the First Appellate authority constitutes a legitimate exercise of appellate jurisdiction u/s.250 of the Act. Having regard to the absence of any specific challenge or material demonstrating admission of fresh evidence, we find that there is no infirmity in the approach adopted by the ld. CIT(A). Accordingly, the findings of the ld. CIT(A) concerning the percentages of non-availability of e-way bills and weighment slips, and the consequential rejection of the arbitrary disallowance of 40% justified.

64. For the assessment year under consideration, the ld. CIT(A), vide paragraph 6.3.37 of the impugned order, quantified the disallowance towards purchases at Rs.81,14,291/-, being 5% of purchases aggregating to Rs.16,22,85,810/-, as against Rs.6,49,14,324/- disallowed by the AO. Similarly, in paragraph 6.4.39, the ld.CIT(A) quantified the disallowance towards subcontract expenditure at Rs.32,79,713/-, being 5% of subcontract payments aggregating to Rs.6,55,94,250/-, as against Rs.2,62,37,700/- disallowed by the AO. Thus, the aggregate disallowance considered reasonable by the ld. CIT(A) for the assessment year under consideration

amounted to Rs.1,13,94,004/-. We find that the assessee had voluntarily offered additional income of Rs.1,50,00,000/- by way of estimated adhoc disallowance in the return furnished in response to the notice issued u/s.148 of the Act for the assessment year under consideration. The said disclosure formed part of the aggregate voluntary additional income of Rs.16 crores offered by the assessee across the relevant assessment years, without admitting that the purchases or subcontract expenditure were bogus or inflated. The ld. CIT(A), after examining the details of such voluntary additions, recorded that the amount already offered by the assessee for the assessment year under consideration exceeded the aggregate disallowance quantified at 5% towards purchases and subcontract expenditure. It is evident from the above discussion that the additional income of Rs.1,50,00,000/- already included in the returned income exceeds the aggregate disallowance of Rs.1,13,94,004/- considered reasonable by the ld. CIT(A). Therefore, we find no infirmity in the order of the ld.CIT(A) in directing the AO to accept the income returned u/s.148 of the Act and delete the separate additions of Rs.6,49,14,324/- and Rs.2,62,37,700/- is justified. Thus, ground nos. 1 to 6 raised by the Revenue challenging the deletion of the addition of Rs.6,49,14,324/- towards alleged bogus purchases and Rs.2,62,37,700/- towards alleged inflated subcontract expenditure are fails, dismissed.

65. In the result, appeal filed by the revenue in ITA No. 3833/Chny/2026 for AY 2020-21 is dismissed.

Now let us take up ITA No. 3832/Chny/2026 for AY 2019-20:

66. We find that this appeal was filed with a delay of 34 days. The revenue filed an affidavit explaining the reasons to condone the said delay. On perusal of the same and upon hearing both the parties, we find the reasons stated by

the revenue are bonafide which really prevented the revenue in filing the appeal in time. Thus, delay of 34 days condoned.

67. We find the issues raised by the revenue are similar to the issues raised in ITA No. 3833/Chny/2026 for AY 2020-21, wherein we held the order of the ld.CIT(A) is justified in directing the AO to restrict the disallowance to 5% which was sufficient to cover the disallowances quantified at 5% as against 40%, deletion of the separate additions made by the AO and to accept return of income as filed in response to notice u/s. 148 of the Act in the aforementioned paras. The ld. DR and ld.AR admits the facts and circumstances of the present case are similar to the facts and circumstances of the appeal in ITA No. 3833/Chny/2026 for AY 2020-21 and adopted the same arguments advanced therein. Therefore, we hold the finding in appeal ITA No. 3833/Chny/2026 for AY 2020-21 is equally applicable to the present AY also. Thus, grounds raised by the revenue are dismissed.

68. In the result, appeal filed by the revenue in ITA No. 3832/Chny/2026 for AY 2019-20 is dismissed.

Next let us take up ITA No. 3834/Chny/2026 for AY 2021-22:

69. We find that this appeal was filed with a delay of 34 days. The revenue filed an affidavit explaining the reasons to condone the said delay. On perusal of the same and upon hearing both the parties, we find the reasons stated by the revenue are bonafide which really prevented the revenue in filing the appeal in time. Thus, delay of 34 days condoned.

70. We find the issues raised by the revenue are similar to the issues raised in ITA No. 3833/Chny/2026 for AY 2020-21, wherein we held the order of the

ld.CIT(A) is justified in directing the AO to restrict the disallowance to 5% which was sufficient to cover the disallowances quantified at 5% as against 40%, deletion of the separate additions made by the AO and to accept return of income as filed in response to notice u/s. 148 of the Act in the aforementioned paras. The ld. DR and ld.AR admits the facts and circumstances of the present case are similar to the facts and circumstances of the appeal in ITA No. 3833/Chny/2026 for AY 2020-21 and adopted the same arguments advanced therein. Therefore, we hold the finding in appeal ITA No. 3833/Chny/2026 for AY 2020-21 is equally applicable to the present AY also. Thus, grounds raised by the revenue are dismissed.

71. In the result, appeal filed by the revenue in ITA Nos. 3834/Chny/2026 for AY 2021-22 is dismissed.

Now let us take up ITA No. 3835/Chny/2026 for AY 2022-23:

72. We find that this appeal was filed with a delay of 34 days. The revenue filed an affidavit explaining the reasons to condone the said delay. On perusal of the same and upon hearing both the parties, we find the reasons stated by the revenue are bonafide which really prevented the revenue in filing the appeal in time. Thus, delay of 34 days condoned.

73. We find the issues raised by the revenue are similar to the issues raised in ITA No. 3833/Chny/2026 for AY 2020-21, wherein we held the order of the ld.CIT(A) is justified in directing the AO to restrict the disallowance to 5% which was sufficient to cover the disallowances quantified at 5% as against 40%, deletion of the separate additions made by the AO and to accept return

of income as filed in response to notice u/s. 148 of the Act in the aforementioned paras. The ld. DR and ld.AR admits the facts and circumstances of the present case are similar to the facts and circumstances of the appeal in ITA No. 3833/Chny/2026 for AY 2020-21 and adopted the same arguments advanced therein. Therefore, we hold the finding in appeal ITA No. 3833/Chny/2026 for AY 2020-21 is equally applicable to the present AY also. Thus, grounds raised by the revenue are dismissed.

74. In the result, appeal filed by the revenue in ITA Nos. 3835/Chny/2026 for AY 2022-23 is dismissed.

Now let us take up ITA No. 3836/Chny/2026 for AY 2023-24:

75. We find that this appeal was filed with a delay of 34 days. The revenue filed an affidavit explaining the reasons to condone the said delay. On perusal of the same and upon hearing both the parties, we find the reasons stated by the revenue are bonafide which really prevented the revenue in filing the appeal in time. Thus, delay of 34 days condoned.

76. We find the issues raised by the revenue are similar to the issues raised in ITA No. 3833/Chny/2026 for AY 2020-21, wherein we held the order of the ld.CIT(A) is justified in directing the AO to restrict the disallowance to 5% which was sufficient to cover the disallowances quantified at 5% as against 40%, deletion of the separate additions made by the AO and to accept return of income as filed in response to notice u/s. 148 of the Act in the aforementioned paras. The ld. DR and ld.AR admits the facts and circumstances of the present case are similar to the facts and circumstances of the appeal in ITA No. 3833/Chny/2026 for AY 2020-21 and adopted the same arguments advanced therein. We find the CIT-A for A.Y. 2023-24,

considering the additional income of Rs.5,00,00,000/- offered through a revised computation during the assessment proceedings, specifically directed the AO to sustain the disallowances of Rs.1,10,47,300/- towards purchases and Rs.3,15,63,806/- towards subcontract expenditure, aggregating to Rs.4,26,11,106/-, and delete the balance additions. We find no dispute from Ld.DR and AR in this regard and therefore, we find no infirmity in the order of ld.CIT(A) and is justified. In view of the same our finding in appeal ITA No. 3833/Chny/2026 for AY 2020-21 is equally applicable to the present AY also. Thus, grounds raised by the revenue are dismissed.

77. In the result, appeal filed by the revenue in ITA Nos. 3836/Chny/2026 for AY 2023-24 is dismissed.

Now let us take up ITA No. 3837/Chny/2026 for AY 2024-25:

78. We find that this appeal was filed with a delay of 34 days. The revenue filed an affidavit explaining the reasons to condone the said delay. On perusal of the same and upon hearing both the parties, we find the reasons stated by the revenue are bonafide which really prevented the revenue in filing the appeal in time. Thus, delay of 34 days condoned.

79. We find the issues raised by the revenue are similar to the issues raised in ITA No. 3833/Chny/2026 for AY 2020-21, wherein we held the order of the ld.CIT(A) is justified in directing the AO to restrict the disallowance to 5% which was sufficient to cover the disallowances quantified at 5% as against 40%, deletion of the separate additions made by the AO and to accept return of income as filed in response to notice u/s. 148 of the Act in the aforementioned paras. The ld. DR and ld.AR admits the facts and circumstances of the present case are similar to the facts and circumstances

of the appeal in ITA No. 3833/Chny/2026 for AY 2020-21 and adopted the same arguments advanced therein. Therefore, we hold the finding in appeal ITA No. 3833/Chny/2026 for AY 2020-21 is equally applicable to the present AY also. Thus, grounds raised by the revenue are dismissed.

80. In the result, appeal filed by the revenue in ITA Nos. 3837/Chny/2026 for AY 2024-24 is dismissed.

81. To sum up, all the appeals filed by the revenue for AYs 2019-20, 2020-21, 2021-22, 2022-23 & 2023-24 are dismissed.

Order pronounced on 28th October, 2026 at Chennai.

Sd/-	Sd/-
(गगन गोयल)	(यस यस विश्वनेत्र रवि)
(GAGAN GOYAL)	(SS VISWANETHRA RAVI)
लेखा सदस्य/Accountant Member	न्यायिक सदस्य / Judicial Member

Chennai, Dated: 28.10.2026

JPV

आदेश की प्रतिलिपि □ ग्रेषित/Copy to:
1. □ पीलर्थी/Appellant,
2.प्रत्यर्थी/ Respondent,
3. आयकर आयुक्त/CIT, Chennai/Madurai/Coimbatore/Salem
4. विभागीय प्रतिनिधि/DR &
5. गार्ड फाईल/GF

PRASANNA VANI JETTY
Digitally signed by PRASANNA VANI JETTY
Date: 2026.10.30 12:28:10 +05'30'