

आयकर अपीलिय न्यायाधिकरण में, हैदराबाद 'बी' बेंच, हैदराबाद  
**IN THE INCOME TAX APPELLATE TRIBUNAL**  
**Hyderabad "B" Bench, Hyderabad**

श्री विजय पाल राव, माननीय उपाध्यक्ष एवं श्री मंजूनाथ जी, माननीय लेखा सदस्य  
**SHRI VIJAY PAL RAO, HON'BLE VICE PRESIDENT**  
**AND**  
**SHRI MANJUNATHA G, HON'BLE ACCOUNTANT MEMBER**

आयकर अपीलसं./I.T.A.Nos.2139 to 2141/Hyd/2025  
(निर्धारण वर्ष/ Assessment Years: 2020-21 to 2023-24)

SVS Projects India Private Limited, Visakhapatnam.  PAN : AAVCS8079F	Vs.	The Assistant Commissioner of Income-Tax, Central Circle – 1(1), Hyderabad.
<b>(अपीलार्थी/ Appellant)</b>		<b>(प्रत्यर्थी/ Respondent)</b>

आयकर अपीलसं./I.T.A.Nos.2358 to 2360/Hyd/2025  
(निर्धारण वर्ष/ Assessment Years: 2020-21 to 2023-24)

The Deputy Commissioner of Income-Tax, Central Circle – 1(1), Hyderabad.	Vs.	SVS Projects India Private Limited, Visakhapatnam.  PAN : AAVCS8079F
<b>(अपीलार्थी/ Appellant)</b>		<b>(प्रत्यर्थी/ Respondent)</b>

करदाता का प्रतिनिधित्व/ Assessee Represented by	:	<b>Shri M.V. Prasad, C.A.</b>
राजस्व का प्रतिनिधित्व/ Department Represented by	:	<b>Dr. Sachin Kumar, Sr. A.R.</b>
सुनवाई समाप्त होने की तिथि/ Date of Conclusion of Hearing	:	21.04.2026
घोषणा की तारीख/ Date of Pronouncement	:	30.04.2026

**ORDER****PER MANJUNATHA G., A.M :**

The captioned appeals filed by the assessee and Revenue are directed against the separate, but identical orders of the learned Commissioner of Income Tax (Appeals) – 11, Hyderabad, dated 28.10.2025, pertaining to the assessment years 2020-21 to 2023-24, respectively. Since facts are identical and common issues are involved in all these appeals, the same were heard together and are being disposed of, by this single consolidated order for the sake of convenience and brevity.

2. The assessee and Revenue has more or less raised common grounds of appeal in all their respective captioned appeals. Therefore, for the sake of brevity, the grounds of appeal filed by the assessee in ITA.No.2139/Hyd/2025 and grounds of appeal filed by the Revenue in ITA No.2358/Hyd/2025 for the assessment year 2020-21, respectively, are reproduced as under:

*“1. On the facts and circumstance of the case, Learned CIT(A) erred in both law and facts while passing the appellate order U/s 250 of Income Tax Act, 1961.*

*2. On the facts and Circumstance of the case, Learned CIT(A) was not justified in considering the entries in the alleged material seized from a third party, as unaccounted business receipts of the appellant and*

estimating the Income of Rs. 1,41,66,500/- @10% on the alleged receipts of Rs. 14,16,65,000/-.

3. On the facts and circumstances of the case, Learned CIT(A) has not appreciated the law & fact that the statement recorded U/s 132(4) from the third person(s) is not binding on the appellant company for fastening any liability.

4. On the facts and circumstances of the case, Learned CIT(A) and the Assessing Officer have not appreciated the law and facts that the deeming provisions U/s 132(4A) are not applicable in the facts of the case.

5. On the facts and circumstances of the case, Learned CIT(A) and the Assessing Officer erred in coming into conclusion that the entries noted in the seized material of M/s Vamsiram group pertains or pertain or any information contained therein, relate to the appellant company without proving with corroborative evidences to validate the authenticity of the entries and hence the additions lacks in merit and substance.

6. On the facts and circumstance of the case, Learned CIT(A) failed to appreciate that the business transactions of the appellant company with M/s Vamsiram group has been reflected in the Audited Books of accounts and the alleged entries in the seized material of M/s Vamsiram group has no evidentiary value in so far as the appellant company is concerned.

7. On the facts and circumstances of the case, the Learned CIT(A) and the Assessing Officer has acted on surmises and conjectures in arriving the decision that the alleged receipts are related to the appellant company.

8. On the facts and circumstance of the case, issue of notice U/s 148 is bad in law and without Jurisdiction.

9. Any other factual or legal ground that may be urged at the time of hearing of the appeal.”

GROUND'S RAISED BY REVENUE IN ITA NO.2358/HYD/2025

The Ld. CIT(A) erred in estimating the profit @10% of Rs.14,16,65,000/- on account of unaccounted business receipts.

3. The brief facts of the case are that, the assessee company, M/s. SVS Projects India Pvt Ltd, is engaged in the business of executing civil contract works for various clients, filed its return of income for AY 2020-21 on 27-12-2020 admitting total income of Rs. 27,91,48,610/-. A search and seizure operation under section 132 of the Income-tax Act, 1961 was conducted in the case of M/s. Vamsiram Builders Group and related entities on 06-12-2022. During the course of search, incriminating information related to the assessee was found, which resulted in a survey conducted under section 133A of the Income-tax Act, 1961 in the case of the assessee on 06-12-2022. During the course of search at the office premises of the assessee, the Department has not impounded any material which is incriminating in nature or any material which impacts the undisclosed income of the assessee. During the course of search in the different premises of M/s. Vamsiram Group, the evidence found in the form of diary and pen drive shows certain transactions recorded in cash which contain payments to the assessee. Further, during the survey proceedings at the residence of B. Venkata Subba Rao, the Managing Director of the assessee company, an unregistered agreement of sale

between the assessee company and M/s. Vamsiram Builders was found. As per the agreement of sale, the assessee company has purchased commercial space from M/s. Vamsiram Suvarna Durga Tech Park for a consideration of Rs.6,47,35,200/-. On examination of the incriminating evidence seized from M/s. Vamsiram Group, it is found that both cash receipt and cash payment entries were recorded in the evidence. Further, during the course of search proceedings in the case of M/s. Vamsiram Builders Group, statements were recorded from Shri Chandrashekar Atla, Manager (Accounts) and Shri Regu Venkata Vara Prasad, Accounts Manager, and in response to specific questions, they deposed that the seized material contains unaccounted transactions and also further deposed that there is suppression of two zeros while entering the transactions.

4. Consequent to search, notice under section 148 of the Act, dated 29.03.2024 was issued and served on the assessee. In response to the notice, the assessee has not furnished a return of income. Therefore, the AO issued notice under section 142(1) of the Income-tax Act dated 03.12.2024 and called for various information. In response, the assessee has submitted details as

called for by the AO. During the course of assessment proceedings, the AO, on the basis of incriminating evidence found during the course of search in the form of diary and pen drive, culled out various cash payments made to the assessee company with respect to construction work, and on the basis of statements recorded from Shri Chandrasekhar Atla and Shri Regu Venkata Varaprasad, has added two zeros to the amounts recorded in the seized documents and worked out the amount paid to the assessee company in cash for carrying out civil construction work and called upon the assessee to explain why the addition should not be made. In response, the assessee submitted that, the documents found from the premises of a third party and the entries contained therein have nothing to do with the business of the assessee company and the assessee company has not received any amount in cash for carrying out construction work. The assessee further submitted that, the AO has added two zeros to the amounts recorded in the incriminating material to arrive at the total amount even though these persons, who gave the statements, subsequently retracted their statements by filing a sworn statement and stated that, the initial statement given by

them during the course of search is not correct. The assessee further submitted that even the Managing Director of the assessee company has denied receiving any cash from M/s. Vamsiram Group for carrying out work. The assessee has also explained the purchase of commercial space by the assessee company from M/s. Vamsiram Group with reference to unregistered sale agreement found during the course of search and submitted that the assessee company has purchased commercial space from M/s. M/s. Vamsiram Builders and the same has been recorded in the books of account of the assessee company for the year ending 31.03.2022. Further, the amount recorded in the sale agreement has been fully paid through cheque and no cash payment has been made as alleged by the AO.

5. The AO, after considering the relevant submissions of the assessee and also taking note of the documents found during the course of search, observed that, from the evidences found during the course of search, it is clear that M/s. Vamsiram Group has indulged in cash transactions and the said cash transactions are recorded by truncating last two zeros. During the course of search proceedings, Accounts Personnel, who recorded/supervised

transactions, namely, Shri Chandrashekar Atla and Shri Regu Venkata Vara Prasad, have deposed on oath that while recording transactions, the last two zeros were suppressed and explained in detail the actual amounts in the detailed statements recorded. The recorded entries were verified and signed by Shri B. Venkata Subba Rao, Main Promoter cum Managing Director of M/s. M/s. Vamsiram Group. Although, Shri Chandrashekar Atla and Shri Regu Venkata Vara Prasad filed retraction statements before the Investigating Officer immediately after the closure of search, but the Investigating Officer considered the retraction statements as generalized statements that too after passage of substantial time and therefore, cannot be considered. Therefore, it was observed that, the incriminating evidence found during the course of search in the form of diary and pen drive clearly shows various cash payments to the assessee company for carrying out civil works and the same has been recorded after suppressing last two zeros. This is further fortified by the statements recorded from Accounts Personnel, namely, Shri Chandrashekar Atla and Shri Regu Venkata Vara Prasad of M/s. Vamsiram Group. Therefore, the AO rejected the explanation of the assessee and made addition of

Rs.14,16,65,000/- towards total cash payments made for the financial year as unexplained cash receipts. The AO further noted that, the unregistered sale agreement found during the course of search indicating commercial space in Shri Vamsiram Suvarna Durga Park by the assessee has been adjusted by way of a contra entry on 31.05.2022 for Rs.10,14,53,600/- out of Rs.14,16,65,000/- which clearly shows that the assessee company has paid on-money for purchase of property and the same has been adjusted out of cash payments due to the assessee company for carrying out civil works. Therefore, the AO rejected the explanation of the assessee and made additions towards cash payments as unexplained cash receipts.

6. Aggrieved by the assessment order, the assessee preferred appeal before the Ld. CIT(A). Before the Ld. CIT(A), the assessee had filed detailed written submissions on this issue, which has been reproduced at para 5 on pages 41 to 55 of the order of the Ld. CIT(A). The sum and substance of the arguments before the Ld. CIT(A) are that the additions made by the AO on the basis of the documents found during the course of search proceedings in

the case of M/s. Vamsiram Group is not correct, because the documents found in the premises of the third party are not required to be explained by the assessee. The assessee further submitted that the AO has added two zeros to the amounts recorded in the seized documents on the basis of statements of two individuals, even though the statements have been subsequently retracted by filing retraction statements before the Investigating Officer. The assessee further contended that, the assessee company and its Managing Director clearly denied having received any cash from M/s. Vamsiram Group, which is evident from the relevant statements recorded during the course of search proceedings and post-search proceedings. Since the documents were found from the premises of third party, the presumption as per section 132(4A) as well as section 292C of the Act, is not applicable and the assessee is not required to explain the contents recorded in the seized material. Further, the AO has also not brought any corroborative evidences to support the statements recorded during the course of search to establish that the assessee has received cash payments for carrying out civil works.

7. The Ld. CIT(A), after considering the submissions of the assessee and also taking note of various evidences found during the course of search, observed that from the extracts of the seized material found during the course of search, it is noticed that the transactions in the loose sheets were recorded under the heading Table 1, Sl.No., Dates, F.Y., Particulars, Receipts and Payments. The dates are recorded chronologically, particulars legibly and with specific details, referring to the payments/receipts. In such nature of the notings in the loose sheets, where the transactions in the loose sheets was recorded chronologically in a specific particulars of receipts and payments, it can be stated that the loose sheets are not dumb documents but are meaningful documents from where definite inference can be adduced. Further, during the course of search in the case of key employees of M/s. Vamsiram Group i.e., Shri Regu Venkata Varaprasad, Accounts Manager, and Shri Chandrasekhar Atla, Manager Accounts, in their sworn statements have deposed that the group was indulged in unaccounted transactions and confirmed the fact that the transactions were recorded by truncating last two zeros. The entries in the loose sheets were made by suppressing last two

zeros were corroborated by the statements of key Accounting Personnel of M/s. Vamsiram Group. Even though, subsequently, they have retracted their earlier statements, but the AO noticed that the retractions are merely general in nature and no material facts were brought on record to show that the statements made earlier were erroneous. Since the incriminating documents show clear transactions in cash between the assessee company and the M/s. Vamsiram Group and the same have been recorded after truncating last two zeros, the AO has rightly treated the cash payments as unexplained receipts of the assessee company. Therefore, the Ld. CIT(A) rejected the arguments of the assessee company on the issue of evidentiary value of the documents found during the course of search.

8. The Ld. CIT(A) further observed that although the AO has arrived at total payments made by M/s. Vamsiram Group and made additions, but fact remains that the AO has erroneously considered the entire amount of unaccounted receipts as income, even though there cannot be any business receipts without incurring corresponding business expenditure. Since the assessee company has received revenue on execution of works as a

contractor, it is common that certain expenditure is also incurred in cash. In such facts, it can be said that the entire receipts cannot be considered as unaccounted income. Therefore, by following certain judicial precedents and also taking note of the profit declared by the assessee company for the earlier assessment years 2017-18 to 2019-20, which was ranging from 7.02% to 7.26%, the Ld. CIT(A) has estimated the net profit of 10% on total unaccounted payments received by the assessee company from M/s. Vamsiram Group. In other words, out of the addition made by the AO for Rs. 14,16,65,000/-, the Ld. CIT(A) sustained the addition to the extent of 10% profit on total receipts, which works out to Rs. 1,41,66,500/- and the balance amount has been deleted.

9. Aggrieved by the order of the Ld. CIT(A), the assessee as well as the revenue are now in appeal before us.

10. The Ld. counsel for the assessee, Shri M.V. Prasad, C.A. submitted that the Ld. CIT(A) erred in rejecting the explanation of the assessee with regard to evidentiary value of the documents found in the premises of M/s. Vamsiram Group, even though it is a settled principle of law as held by various Courts that the

provisions of section 132(4A) and section 292C of the Act, is not applicable in respect of documents found from the premises of a third party. In the present case, the AO made addition on the basis of diary and pen drive found from the premises of M/s. Vamsiram Group and alleged that there are certain cash payments to the assessee company for carrying out civil works and the same has been recorded after truncating last two zeros, but fact remains that the above documents are not in the handwriting of the assessee and were not found from the premises of the assessee. Therefore, once a document is not found in the premises of the assessee company, the contents recorded therein are not required to be explained by the assessee company and the rebuttable presumption contained under section 132(4A) r.w.s. 292C of the Act is not applicable. In this regard, he relied on the decision of the Hon'ble Gujarat High Court in the case of PCIT Vs. Gaurang Bhai Pramod Chandra Upadhyay (R/Tax Appeal No.98 of 2020 and others dated 25.02.2020). The Ld. counsel for the assessee also relied on the following decisions :

1. SMC Share Brokers Ltd. Vs. DCIT reported in (2008) 22 SOT 7 (ITAT Delhi)

2. Prarthana Constructions (P) Ltd. Vs. DCIT reported in (2001) 118 Taxman 112 (ITAT Ahmedabad).
  3. Straptex (India) (P) Ltd. Vs. DCIT reported in [2003] 84 ITD 320 (ITAT Mumbai)
  4. Vinit Ranawat Vs. ACIT reported in [2017] 88 taxmann.com 428 (ITAT Pune)
  5. Harmohinder Kaur Vs. DCIT reported in [2021] 124 taxmann.com 68 (ITAT Amritsar)
  6. ACIT Vs. Kishore Lal Balwani Rai reported in [2007] 17 SOT 380 (ITAT Chandigarh)
  7. Rama Traders Vs. First ITO reported in [1998] 25 ITO 599 (ITAT Patna) (TM)
  8. Sheth Akshay Pushpavadan Vs. Dy. CIT reported in [2010] 130 TTJ 42 (ITAT Ahmedabad UO)
  9. Jai Kumar Jain Vs. ACIT reported in (2007) 11 SOT 61 (ITAT Jaipur) (URO)
11. The Ld. counsel for the assessee further submitted that, the AO has relied upon the pen drive and the diary found from the premises of M/s. Vamsiram Group. The assessee company denied the transactions recorded by the third party in the statement recorded during the course of search. Therefore, unless there is corroborative evidence to support the transactions recorded by the third party, there is no evidentiary value for a document seized from the third party which is neither in the handwriting of the assessee nor bears signature. The Ld. counsel for the assessee further submitted that the AO has not brought on record any

corroborative documentary evidence, such as signed receipts to strengthen the finding that there are cash transactions between the assessee company and M/s. Vamsiram Group Builders. Though the AO sought to employ the statements of the employees of M/s. Vamsiram Group as corroborative oral evidence, the said statements lack evidentiary value, because these statements were subsequently retracted. Further, there is no specific question asked about the payments made to the assessee company to the Managing Director of M/s. Vamsiram Group or to the employees, and the statements recorded were general in nature and therefore, cannot be considered as conclusive evidence for payment of cash. In this regard, he relied upon the decision of the Hon'ble Delhi High Court in the case of CIT Vs. Sant Lal reported in (2020) 118 taxmann.com 432 (Delhi) and also the decision of the Hon'ble Bombay High Court in the case of PCIT Vs. Umesh Ishrani (2019) 108 taxmann.com 437 (Bom). He also relied on the following case laws :

- Gavireddygari Aparna Kalyani and Others Vs. ACIT reported in ITA Nos. 3-26/Hyd/2023 and others dated 28.02.2023.
- ACIT Vs. Katrina Rosemary Turcotte reported in (2017) 190 TTJ 681 (ITAT Mumbai Bench).

- ACIT Vs. Anand Jaikumar Jain reported in (2023) 147 taxmann.com 125 (ITAT Mumbai)
- Naren Premchand Nagda Vs. ITO reported in IT Appeal No. 3265 (Mum.) of 2015, dated 8-7-2016 (ITAT Mumbai)
- MM Financiers (P) Ltd. Vs. DCIT reported in (2007) 107 TTJ 200 (ITAT Chennai)
- Pradeep Amrutlal Runwal Vs. TRO reported in [2014] 47 taxmann.com 293 (ITAT Pune)
- Prarthana Construction (P) Ltd. Vs. DCIT reported in (2001) 118 Taxman 112 (ITAT Ahmedabad) (Mag).
- ACIT Vs. Prabhat Oil Mills reported in [1995] 52 TTJ 533 (ITAT Ahmedabad).
- P. Koteshwara Rao Vs. DCIT in ITA Nos.251 and 252/Viz/2012 dated 12.08.2016.

12. The Ld. counsel for the assessee further submitted that, the additions made by the AO towards unexplained cash receipts are purely on the basis of documents found in the premises of M/s. Vamsiram Group. The assessee has already disowned the documents found in the premises of from M/s. Vamsiram Group, because the above documents are not in the handwriting of the assessee. Further, there is no corroborative evidence available with the AO for actual cash payments between the assessee company and M/s. Vamsiram Group. In the absence of any corroborative evidence for actual cash transactions between the

assessee company and M/s. Vamsiram Group, the allegation of the AO on the basis of oral statements of two individuals (though subsequently retracted) is merely on the basis of suspicion and surmises without there being any conclusive evidence of payment of cash. Since the additions made by the AO are without any corroborative evidence, the same cannot be sustained. The Ld. CIT(A), without appreciating the relevant facts, simply on the basis of evidence found from the premises of third party and statements of accounting personnel of M/s. Vamsiram Group Builders, has concluded that there is clear evidence of cash payments for carrying out civil works and the same constitutes business turnover of the assessee and estimated 10% profit, even though the documents relied upon by the AO are dumb documents without any explanation as to the nature of the transactions. In this regard, he relied upon the decision of the Hon'ble Bombay High Court in the case of CIT Vs. Lavanya Land (P.) Ltd., reported in (2017) 83 taxmann.com 161 (Bom) and also the decision of ITAT, Visakhapatnam in the case of P. Koteswara Rao Vs. DCIT, Central Circle (supra). Therefore, he submitted that the addition made by the AO should be deleted.

13. The learned Sr. A.R. Dr. Sachin Kumar, on the other hand, supporting the order of the AO, submitted that during the course of search in the premises of M/s. Vamsiram Group, incriminating evidence in the form of diary and pen drive was found, which contain various transactions between M/s. Vamsiram Group and the assessee company in cash and the same was not recorded in the regular books of account maintained by the assessee company. Further, the maker of the document explained that the entries in the diary had been recorded by truncating last two zeros. The AO, on the basis of evidence found during the course of search coupled with the statements recorded from the employees, has arrived at total cash payments received by the assessee company from M/s. Vamsiram Group for carrying out works and treated the same as unexplained cash receipts. The learned Sr. A.R. although accepted the reasons given by the AO to treat the cash receipts on the basis of documents found during the course of search, but observed that the AO erred in treating the above cash payments as business receipts of the assessee and estimating 10% profit without any basis and also without giving any valid reasons. The documents found during the course of

search only contain details of the cash payments made by M/s. Vamsiram Group to the assessee company. However, it do not show any expenditure incurred by the assessee company. Therefore, the inference drawn by the Ld. CIT(A) that the entire amount of cash receipts cannot be treated as income of the assessee company and that there would be expenditure against such income is only an assumption without any documentary evidence. Therefore, he submitted that the Ld. CIT(A) has completely erred in estimating 10% profit on total receipts. Thus, he submitted that the additions made by the AO should be upheld.

14. We have heard both parties, perused the material available on record and had gone through the orders passed by the authorities below. We have also carefully considered the relevant evidences considered by the AO for making additions towards unexplained cash receipts. Admittedly, during the course of search proceedings under section 132 of the Act, in the case of M/s. Vamsiram Group, incriminating evidence in the form of diary and pen drive was found and seized which contains various cash transactions, including payment to M/s. SVS Projects India Pvt.

Ltd. It is also an admitted fact that during the course of survey under section 133A of the Act, nothing was found or impounded from the premises of the assessee, which relates to the additions made by the AO towards unexplained cash receipts. The AO made additions towards cash receipts by adding two zeros to the amounts recorded in the diary on the basis of statements recorded from Shri A. Chandrasekhar and Shri Regu Venkata Vara Prasad, wherein they have deposed that the entries in the diary were recorded by truncating last two zeros. According to the AO, M/s. Vamsiram Group indulged in cash transactions and the same has been recorded by truncating last two zeros and therefore, the amounts recorded in the incriminating evidence towards payment to the assessee company have been arrived at by adding two zeros. The AO took support from the fact that an unregistered sale agreement between the assessee company and M/s. Vamsiram Group Builders for purchase of commercial space was found during the course of search from the premises of Shri B. Subba Rao, Managing Director of the assessee company, with corresponding entries in the diary on 31.05.2022 with remarks M/s. SVS Projects India Pvt. Ltd. and from the above entry, the

AO inferred that the assessee company has paid on-money for purchase of commercial space from M/s. Vamsiram Group and the same has been adjusted against cash payments due to the assessee company towards carrying out civil works. Therefore, the entire amount of cash payments culled out from the seized diary has been treated as unexplained cash receipts of the assessee company and added back to the total income. On appeal, the Ld. CIT(A) accepted the reasons given by the AO to treat the unexplained cash receipts. However, the Ld. CIT(A) estimated 10% profit on total cash receipts on the ground that the entire cash receipts cannot be treated as income of the assessee company, because the assessee company has received cash for carrying out construction work and without incurring expenditure, the revenue cannot be earned.

15. We have gone through the relevant arguments of learned counsel for the assessee and we found that, the additions made by the AO are on the basis of documents found from the premises of a third party. It is a well-established principle of law by the decisions of various Courts that the documents found from the premises of a third party, the rebuttable presumption as per

section 132(4A) and section 292C of the Act, is not applicable. Therefore, it is necessary for the AO to support the addition with further corroborative evidence in cases, where any addition is made on the basis of third party information. In case there is no corroborative evidence, then there is no scope for making addition on the basis of third party evidence, because the presumption under section 132(4A) is not applicable and the assessee is not required to explain the said documents. This principle is supported by the decision of the Hon'ble Gujarat High Court in the case of PCIT Vs. Gaurang Bhai Pramod Chandra Upadhyay (supra), wherein the Hon'ble High Court clearly held that since the documents were not found or recovered from the premises of the assessee, no presumption under section 132(4A) r.w.s 292C of the Act, could be drawn against the assessee in such circumstances. A similar view has been taken by the Hon'ble High Court of Patna in the case of Dharmaraj Prasad Bibhuti Vs. ITAT, Patna reported in (2019) 109 taxmann.com 388 (Patna), wherein it was held that the presumption under section 292C of the Act, can only be drawn against such person from whose possession or control any books of accounts or other documents, money, etc. are found during the

course of search. The sum and substance of the ratio laid down by various courts is that the rebuttable presumption under section 132(4A) r.w.s. 292C of the Act, cannot be pressed into service against the assessee with regard to material seized during the course of search from the premises of a third party, unless there is corroborative evidence. Therefore, in our considered view, the addition made by the AO on the basis of third party evidence without any corroborative evidence cannot be sustained.

16. Further, the documents found during the course of search are claimed to have been recorded by M/s. Vamsiram Group by truncating last two zeros. The AO has arrived at the above conclusion from the statements recorded from Shri Chandrasekhar Atla and Regu Venkata Vara Prasad, who during the course of search recorded statements under section 132(4) of the Act, wherein they deposed that the entries contained in the diary have been recorded by truncating last two zeros. The AO, on the basis of statements recorded from two individuals, has reached a conclusion that the entries in the diary have been recorded by truncating last two zeros and accordingly added two zeros to the amounts recorded therein and arrived at total cash

payments alleged to have been received by the assessee company from M/s. Vamsiram Group Builders. Once again, we do not subscribe to the reasons given by the AO for the simple reason that, the loose sheets found during the course of search from third party premises were neither in the handwriting of the assessee nor containing any signature of the assessee. Once the documents are neither in the handwriting of the assessee nor bearing any signature of the assessee, then on the basis of third party statements without any confrontation to the assessee for its rebuttal, the additions cannot be made. In the present case, no such corroborative documentary evidence by way of signed receipts or otherwise was unearthed during the course of search and there is no reference to any corroborative evidence in the assessment order. Although the AO sought to rely upon the statements of the employees of M/s. Vamsiram Group as corroborative oral evidence, the said statements lack any evidentiary value, because these statements were retracted subsequently. Further, there is no specific question about the payment made to the assessee company was put to the Managing Director of M/s. Vamsiram Group or to the employees of M/s.

Vamsiram Group Builders, therefore, the generalized statements recorded from the employees cannot be considered as conclusive evidence to allege cash payments made to the assessee company by M/s. Vamsiram Group. Therefore, in our considered view, in the absence of any corroborative evidence and merely on the basis of statements of two individuals, additions cannot be made.

17. We further note that, the maker of the statement is answerable to the contents, however, unless the said documents are found in the premises of the assessee, the assessee need not to explain the said documents and is also not answerable to the statements of third parties. In the present case, neither the AO has brought on record any corroborative evidence to support the statements of the third parties nor confronted the said statements of the third party to the assessee company for its rebuttal. Since the assessee denied any cash receipts from M/s. Vamsiram Group and further, the AO does not have any evidence to support the finding that the entries contained in the diary represent unaccounted cash of the assessee company, in our considered view, merely on the basis of statements of third parties, no addition can be made. This legal position has been laid down by

the Hon'ble Delhi High Court in the case of CIT Vs. Sant Lal (supra) wherein it has been held that where the diary was found from the premises of a third party allegedly containing entries including the assessee, no addition can be made based on the said entries, since the diary was neither found from the premises of the assessee nor was in the handwriting of the assessee and the Revenue failed to produce cogent evidence to link the assessee to the diary. A similar view has been taken by the Hon'ble Allahabad High Court in the case of CIT Vs. Shadiram Ganga Prasad Charitable Trust, Smt. Prema Lata Kanodia and Shri S.P. Kanodia reported in (2011) 9 taxmann.com 119, wherein it was clearly held that in the absence of corroborative evidence, no adverse inference can be drawn from the entries against the assessee. Therefore, in our considered view, the additions made by the AO and sustained by the Ld. CIT(A) by estimating profit @ 10% on total receipts cannot be sustained.

18. Coming back to another argument of the Ld. counsel for the assessee. The Ld. counsel for the assessee submitted that, the evidence relied upon by the AO for making addition does not have any evidentiary value unless it is supported by corroborative

evidence. It is an admitted fact that the sole basis for the AO to make addition is the documents found from the premises of M/s. Vamsiram Group. The AO has not referred to any independent corroborative documentary evidence in support of his conclusions in the assessment order. The Hon'ble Bombay High Court in the case of PCIT Vs. Umesh Ishrani (supra) considered an identical issue and held that the additions made by the AO on the basis of entries found in loose sheets without any corroborative evidence are not sustainable. In the present case, it is an admitted fact that the AO during the course of assessment proceedings neither carried out any further enquiries to ascertain the nature of entries contained in the diary nor brought on record any independent corroborative evidence like cash receipts or bills submitted by the assessee company so as to conclude that M/s. Vamsiram Builders has made cash payments for carrying out civil works. The AO has not brought on record any evidence to prove that there is an exchange of cash between the parties. It is very important for the AO to bring further evidence, including cash receipts, to support the entries contained in the seized documents, as held by the Hon'ble Bombay High Court in the case of CIT Vs. Lavanya Land

Pvt. Ltd. (supra), wherein it was held that the addition made under section 69C of the Act, towards cash payments based on the contents of seized documents is not sustainable where there is no material to conclusively show that huge amounts revealed from seized documents were actually transferred from one side to another. This decision was further fortified by the decision of the Hon'ble Supreme Court in the case of Pr. Commissioner of Income-tax Vs. Krutika Land (P.) Ltd. reported in [2019] 103 taxmann.com 9 (SC). The ITAT, Visakhapatnam in the case of P. Koteswara Rao Vs. DCIT (supra) has also considered an identical issue and held that the maker of a statement can bind himself with the said statement, but it cannot bind others without there being any further evidence on record. The Tribunal further noted that, the AO failed to note that admission of other parties cannot be considered as conclusive evidence against the assessee unless there is corroborative evidence on record. In the present case, the addition made by the AO is only on the basis of loose sheets found during the course of search from the premises of a third party without any corroborative evidence. The assessee denied the documents found during the course of search with reference to its

business and also denied receipt of any cash from M/s. Vamsiram Group Builders. Since the assessee has denied receipt of cash from M/s. Vamsiram Group and there is no conclusive proof brought on record by the AO to establish that there were cash transactions between the assessee company and M/s. Vamsiram Group Builders, in our considered view, the additions made by the AO on the basis of evidence found from the third party cannot be sustained.

19. Coming back to the findings of the Ld. CIT(A). The Ld. CIT(A) approved the findings recorded by the AO to treat the cash receipts as unaccounted business receipts of the assessee on the basis of evidence found during the course of search and statements recorded from the employees of M/s. Vamsiram Group and observed that the evidence clearly shows the date of transactions, particulars of payments and the same has been admitted by the employees. We once again do not agree with the findings recorded by the Ld. CIT(A) for the simple reason that, the Ld. CIT(A) has not brought on record any supporting evidence to reach to the above conclusion that the documents found during the course of search show clear transactions between the assessee

company and M/s. Vamsiram Group. Further, the Ld. CIT(A) has relied upon the statements of Shri Chandrasekhar Atla and Regu Venkata Vara Prasad, but fact remains that the above two persons have retracted their statements and filed retraction statements before the Investigating Officer. Once the initial statements recorded have been subsequently retracted by filing affidavits, then there is no evidentiary value for the initial statements unless the statements recorded at the time of search are further corroborated by any independent evidence. Since there is no corroborative evidence before the AO and Ld. CIT(A) to support the finding of cash payments to the assessee company, in our considered view, the conclusion drawn by the Ld. CIT(A) that there is clear evidence of cash payments, is contrary to the material available on record and cannot be accepted.

20. Coming back to the appeals of the Revenue. The revenue has challenged the estimation of 10% net profit by the Ld. CIT(A). The Ld. CIT(A), having accepted the findings recorded by the AO on cash payments, has estimated 10% net profit on the basis of net profit declared by the assessee company for the assessment years 2017-18 to 2019-20, where the assessee company has declared

net profit in the range of 7.02% to 7.26%. The Ld. CIT(A) has estimated net profit on the ground that the entire cash receipts cannot be treated as income of the assessee company going by the nature of the business, and since the assessee company is in the business of civil construction, there must be certain expenditure in cash, and therefore, only the profit element in such cash receipts can be taxed. We find that, the findings recorded by the Ld. CIT(A) that the cash receipts by the assessee company from M/s. Vamsiram Group are business receipts of the assessee company are not backed by any evidence. Further, there is no evidence available with the Ld. CIT(A) to reach to the conclusion that there are certain cash expenditures against such cash receipts. In the absence of any evidence to support the conclusion drawn by the Ld. CIT(A) that the cash receipts alleged to have been received by the assessee company from M/s. Vamsiram Group are business receipts, in our opinion, estimation of profit @ 10% of cash receipts, is only on suspicion and surmises and not on the basis of any evidence. Therefore, profit estimated by the Ld. CIT(A) cannot be sustained. Since the entire receipts alleged to have been received by the assessee company are not based on any

evidence, in our considered view, the addition made by the AO towards alleged cash receipts as unexplained cash receipts of the assessee company and the estimation of 10% profit on the above alleged cash receipts by the Ld. CIT(A) cannot be upheld.

21. In this view of the matter and considering the facts and circumstances of the case, we are of the considered view that, the additions made by the AO towards alleged cash receipts are not based on any conclusive evidence, except the loose sheets found from the premises of a third party and the statements recorded from key employees of M/s. Vamsiram Group. Since the documents were found from the premises of a third party and further, the AO does not have any corroborative evidence to support the additions made towards alleged cash receipts, in our considered view, the entire addition made by the AO deserves to be deleted. Thus, we set aside the order of the Ld. CIT(A) and direct the AO to delete the additions made towards alleged cash receipts as income of the assessee.

22. In the result, the appeal filed by the assessee for AY 2020-21 is allowed and the appeal filed by the revenue is dismissed.

**ITA Nos.2140/Hyd/2025 and ITA No.2359/Hyd/2025 – for A.Y. 2022-23.**

23. The facts and issues involved in these appeals filed by the assessee and revenue, respectively, are identical to the facts and issues, which we had considered in assessee's own case for A.Y. 2020-21 in ITA Nos.2139/Hyd/2025 and 2358/Hyd/2025. The reasons given by us in preceding paragraph nos. 14 to 21 shall mutatis and mutandis apply to the appeals filed by the assessee and revenue for A.Y. 2022-23. Therefore, for similar reasons, we direct the A.O. to delete the addition made towards alleged cash receipts as unexplained income of the assessee and estimation of 10% net profit on the said alleged cash receipts.

24. In the result, the appeal filed by the assessee in ITA No.2140/Hyd/2025 is allowed and the appeal filed by the Revenue in ITA No.2359/Hyd/2025 is dismissed.

**ITA Nos.2141/Hyd/2025 and ITA No.2360/Hyd/2025 – for A.Y. 2023-24.**

25. The facts and issues involved in these appeals are identical to the facts considered by us for A.Y. 2020-21, except a change in facts to the extent of additional evidences considered by the AO in the form of unregistered sale agreement found during the

course of search in the case of Shri B. Subba Rao, Managing Director of the assessee company.

26. During the course of search in the premises of Shri B. Subba Rao, an unregistered agreement of sale for purchase of two commercial spaces of 17,002 sq. ft and 17,982 sq. ft from M/s. Vamsiram Builders on 08-07-2021 for a total consideration of Rs. 6,12,07,200/- and Rs. 6,47,35,200/-, respectively, was found. Further, in the diary maintained by M/s. Vamsiram Group, on 13-05-2022, a contra entry was passed for an amount of Rs. 10,14,53,600/- on the debit side M/s. SVS Projects VSD Park and the credit side of SVS Projects Jyoti Tech Park. The AO, on the basis of the above unregistered sale agreement coupled with the contra entry in the seized diary, reached to a conclusion that the assessee company has paid on-money of Rs. 10,14,53,600/- for purchase of two commercial spaces from M/s. Vamsiram Builders and the same has been adjusted against the cash payments to the assessee company. Therefore, an amount of Rs. 10,14,53,600/- has been treated as unexplained cash receipts for the purpose of addition. The Ld. CIT(A) has examined the issue in detail in light of the agreement of sale found during

the course of search and recorded a categorical finding that the assessee company has purchased two commercial spaces for 17,002 sq. ft and 17,982 sq. ft from M/s. Vamsiram Builders on 08-07-2021 for a total consideration of Rs. 6,12,07,200/- and Rs. 6,47,35,200/-, respectively, and the same has been recorded in the books of account of the assessee company as on 31-03-2022. Further, in the agreement of sale, there is no reference to any cash payment for purchase of the property. Further, the Ld. CIT(A) concluded that the AO has not brought on record any nexus with the seized material to alleged on-money payment of Rs. 10,14,53,600/- for the purchase of property. Since the purchase of two commercial spaces is duly reflected in the books of account maintained by the assessee company, the assumption made by the AO that the assessee has paid on-money of Rs. 10,14,53,600/- is not based upon any evidence and therefore, it was observed that the findings recorded by the AO to allege that the assessee has received cash of Rs. 10,14,53,600/- on the basis of the sale agreement is incorrect. The revenue has not brought on record any evidence to counter the findings of fact recorded by the Ld. CIT(A). Therefore, in our considered view, the

conclusion drawn by the AO on the basis of the unregistered sale agreement and contra entry in the diary that the assessee company has paid on-money for purchase of two commercial spaces and the same has been adjusted against cash payments due to the assessee company from M/s. Vamsiram Group for carrying out civil works is purely a guesswork of AO without there being any supporting evidence and cannot be upheld. Thus, we are truly agree with conclusion drawn by the Ld. CIT(A).

27. In so far as the other aspects of the issue with regard to the addition made by the AO towards unexplained cash receipts and estimation of 10% profit on the alleged cash receipts by the Ld. CIT(A), the findings recorded by us in the case of the assessee for AY 2020-21 are squarely applicable to the appeals filed by the assessee and the revenue for the assessment year under consideration. Therefore, for similar reasons, we set aside the order of the Ld. CIT(A) and direct the AO to delete the addition towards alleged cash receipts of Rs. 8,05,00,000/- as unexplained cash receipts of the assessee company.

28. In the result, the appeal filed by the assessee is allowed and the appeal filed by the revenue is dismissed.

29. To sum up, all the appeals of assessee are allowed and all the appeals of Revenue are dismissed.

Order pronounced in the Open Court on 30<sup>th</sup> April, 2026.

<b>Sd/-</b> श्री विजय पाल राव <b>(VIJAY PAL RAO)</b> उपाध्यक्ष /VICE PRESIDENT	<b>Sd/-</b> (मंजूनाथ जी) <b>(MANJUNATHA G.)</b> लेखा सदस्य/ACCOUNTANT MEMBER
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Hyderabad, dated 30.04.2026.  
TYNM/sps

आदेशकी प्रतिलिपि अग्रेषित/ Copy of the order forwarded to:-

1.	निर्धारिती/The Assessee	:	S V S Projects India Private Limited, D.No.31-58-25/33, Flat No.B-1, Duvvada Railway Station Road, Kurmannapalem, Visakhapatnam – 530046.
2.	राजस्व/ The Revenue	:	The Assistant Commissioner of Income Tax, Central Circle –1(1), Hyderabad / The Deputy Commissioner of Income Tax, Central Circle –1(1), Hyderabad The Assistant Central Circle 2(4), Hyderabad.
3.	The Principal Commissioner of Income Tax, (Central), Hyderabad.		
4.	विभागीयप्रतिनिधि, आयकर अपीलीय अधिकरण, हैदराबाद / DR, ITAT, Hyderabad		
5.	गार्डफ़ाईल / Guard file		

आदेशानुसार / BY ORDER

Sr. Private Secretary  
ITAT, Hyderabad