M/S Loomba Manufacturing Syndicate vs Cit, Ludhiana And Anr

[Cites 1, Cited by 0] Punjab-Haryana High Court M/S Loomba Manufacturing Syndicate ... vs Cit, Ludhiana And Anr on 10 February, 2026 IN THE HIGH COURT OF PUNJAB AND HARYANA AT CHANDIGARH **** 202 ITA-623-2009 (O&M) Date of Decision: 10.02.2026 M/S LOOMBA MANUFACTURING SYNDICATE LUDHIANA ...Appellant Vs. COMMISSIONER OF INCOME TAX LUDHIANA AND ANR ...Respondents CORAM:- HON'BLE MR. JUSTICE JAGMOHAN BANSAL HON'BLE MR. JUSTICE YASHVIR SINGH RATHOR Present:- Mr. Akshay Bhan, Sr. Advocate with Mr. Shantanu Bansal, Advocate for the appellant Mr. Vidul Kapoor, Standing Counsel for respondent-Income Tax *** JAGMOHAN BANSAL, J. (ORAL)

1. The appellant through instant appeal under Section 260A of the Income Tax Act, 1961 (for short '1961 Act') is seeking setting aside of order dated 09.02.2009 passed by Income Tax Appellate Tribunal, Chandigarh (for short 'ITAT').

2. The appeal was admitted vide order dated 17.03.2010 for adjudication of following substantial questions of law:- i. Whether in the facts and circumstances of the case, the addition made in non-compliance with the order of this Court dated 06.08.2004 is legally sustainable in the eyes of the law? ii. Whether in the facts and circumstances of the case, the 1 of 6 ::: Downloaded on - 11-02-2026 23:13:15 ::: ITA-623-2009 -2- impugned orders are liable to be set aside as the relevant record had been weeded out by the bank and the main issue of the stock statement being signed or not by any of the partner of the firm remained unanswered?

3. This is second round of litigation. The appellant on the previous occasion filed ITR-295-1995 which was disposed of vide order dated 06.08.2004. The operative portion of order dated 06.08.2004 reads as:- "We are of the view that the assessee had right to cross examine Shri B.N. Seth. Even assuming that statement of Shri Seth was with regard to practice and procedure followed by the Bank, the assessee was entitled to confront him with his view- point in the matter of position of stocks. We are further of the view that stock statements which were not signed by any of the partners nor filed by or on behalf of the firm with the Bank could not be the sole basis of addition. Accordingly, the reference is answered in the negative in favour of the assessee and against the revenue. However, we find that the assessee was not required to substantiate its claim that the said statement was not filed by it, by examining the bank authorities in this behalf. We further hold that denial of opportunity to cross- examine Shri B.M. Seth prejudiced the rights of the assessee. In view of the above, we direct the Tribunal to give further opportunity to the assessee to prove that the stock statement in question was not signed by the assessee and allow the assessee to cross-examine the Bank Manager Mr. B.M. Seth or his successor to substantiate its case. The Tribunal will be at liberty to seek a remand report in the matter and thereafter take a fresh decision in the matter in accordance with law."

4. The matter came up for consideration before ITAT which further remanded the matter to Assessing Authority. The Assessing Authority vide 2 of 6 ::: Downloaded on - 11-02-2026 23:13:16 ::: ITA-623-2009 -3- order dated 27.12.2006 again concluded that stock as declared in statement filed before Bank should be considered. The findings recorded by Assessing Authority read as :- "During the assessment proceedings as desired by Hon'ble High Court and ITAT, Sh. Anmol Sharma, Deputy Manager, State Bank of India, Civil Lines, Ludhiana was cross examined by Sh. Subhash Sharma, Ld. Counsel of the assessee. As the matter pertains to old period he was not able to say anything in matter of the account of the assessee. He stated that the record, which is more than 10 years old, is weeded out. However he was examined about the procedure of banks in respect of over draft facilities in case of hypothecation of stock and he reiterated the same facts as stated by his predecessor Sh. B.M.Seth. He has stated that the procedure during the period under assessment was that the stock was kept in lock and key with bank's godown keeper and it was duty of the godown keeper to prepare stock statement and the same was confirmed by the firm by putting their signature on such statement. The statement was submitted thereafter in the bank and the detail of stock was entered in the stock statement register. The statement was not entered if any partner of the firm did not sign it. The document was useful as it was the basis of drawing power of the assessee. It is highly improbable that the stock statement submitted before bank was wrong as the assessee had to enjoy over draft facilities in lieu of such statement submitted before the bank. The Hon'ble ITAT had while analysis of stock statement held "on perusal of the stock statement relating to factory type pledging, it appears that the opening balance of woolen yarn had been shown at 960 kgs and the stock received at 330 kgs. The stock issued appears at 320 kgs and the balance on 23.9.1972 at 950 kgs. I is thus clear that the details regarding receipt and issue of the stock cannot be given by the bank officials unless the information is collected from the 3 of 6 ::: Downloaded on - 11-02-2026 23:13:16 ::: ITA-623-2009 -4- assessee and is based on the actual receipt and issue of the stock. The opening stock was shown as per the earlier stock statement filed with the bank. In the second stock statement relating to packing credit type pledging, it may again be seen that the opening stock of woolen yarn has been shown at 7467 kgs and thereafter the receipt has been added and issue has been subtracted resulting in the closing stock at 5257 kgs. It is thus clear that in both the statements, which have been challenged to be not reliable, complete details regarding opening and closing stock as well as receipt and issue of the stocks have been given. It would therefore be not appropriate to hold that the godown keeper Sh. Ramesh Chander on his own prepared these two statements and gave his imaginary/incorrect figures"

5. The appellant preferred appeal which came to be dismissed vide order dated 20.02.2008 passed by CIT (Appeals). The appellant further preferred appeal which came to be dismissed vide order dated 09.02.2009 passed by ITAT.

6. Learned counsel for the appellant submits that Assessing Authority could not make addition on the basis of stock statements which were not signed by any one of the partners of the assessee. The respondent did not comply with directions issued by this Court in true spirit and solely relying upon stock statement made addition.

7. Per contra, learned counsel for the respondent submits that all the authorities have recorded concurrent findings. No question of law much less substantial question of law is involved.

8. Heard the arguments and perused the record.

9. From the perusal of record, it is evident that this Court vide order dated 06.08.2004 though held that stock statements which were not 4 of 6 ::: Downloaded on - 11-02-2026 23:13:16 ::: ITA-623-2009 -5- signed by any of the partners nor filed by or on behalf of the

assessee-firm with the Bank could be sole basis of addition, however, matter was remanded to ITAT with a direction to grant opportunity to assessee to prove that stock statement was not signed by assessee and allow the assessee to cross-examine the Bank Manager Mr. B.N. Seth or his successor to substantiate its case. The Assessing Authority examined Mr. Anmol Sharma, Deputy Manager, State Bank of India. Mr. Sharma reiterated the procedure followed by Bank in respect of over draft facilities in case of hypothecation of stock. He confirmed that stock was kept in lock and key with Bank's Godown Keeper and it was duty of Godown Keeper to prepare stock statement and the same was confirmed by firm by putting their signature on such statement. The statement was not entered if any partner of the firm did not sign it. The document was useful as it was the basis of drawing-power of the assessee.

10. The appellant neither before authorities nor before this Court has pleaded that they did not avail over draft facility as per stock statement relied upon by Income Tax Department. It means the appellant availed over draft facility as per stock statement. The said statement may or may not be signed because of ruse on the part of appellant or mistake of the Bank, however, it is clear from the statement of Bank Manager that stock was kept in lock and key of Bank's Godown Keeper. The statement was prepared by Godown Keeper and it was signed by one of the partners of the firm. In the absence of signatures of partner, it was not entered in the record. Drawing-power of the client was dependent upon stock statement. The appellant was given due opportunity by authorities to disprove stock statement relied upon by Income Tax Department. In the absence of contrary evidence and the fact that   appellant was given all possible opportunities to prove that stock statement relied upon by Income Tax Department was not belonging to them, it is highly improbable that anyone other than assessee furnished stock statement especially when it was directly linked with drawing-power and stock statement was prepared by Bank's Godown Keeper.

11. In the wake of above discussion and findings, we are of the considered opinion that the instant appeal deserves to be dismissed and accordingly dismissed. The aforesaid questions are answered against the assessee.

12. Pending application(s), if any, stands disposed of. (JAGMOHAN BANSAL) JUDGE (YASHVIR SINGH RATHOR) JUDGE February 10, 2026 Deepak DPA Whether Speaking/reasoned Yes/No Whether Reportable Yes/No