

Additions confirmed since there was mismatch between consumption of raw materials and output of products: HC

Summary – The High Court of Bombay in a recent case of Paras Organics (P.) Ltd., (the Assessee) confirmed the additions made by the AO since there was mismatch between consumption of raw materials and output of products.

Facts

- The assessee was engaged in manufacturing of bulk drugs. The assessee's return of income for the relevant assessment year was taken up for scrutiny by the Assessing Officer. During assessment, the Assessing Officer noticed mismatch between the assessee's consumption of raw material and output of drugs manufactured by the assessee.
- After detailed analysis, the Assessing Officer rejected the books of account and made an addition of Rs. 96.98 lacs.
- The Commissioner (Appeals) as well as the Tribunal confirmed said addition.
- The assessee filed an appeal to the HC.

Held

- The HC held that from the order of the Assessing Officer it is seen that the assessee had first contended that due to chemical reaction, the manufacturing process results in loss of material in the range of 3 per cent to 10 per cent. The Assessing Officer noticed that the assessee had consumed raw material for manufacture of finished product and there was loss of 27.79 per cent as against the admitted range of 3 to 10 per cent claimed by the assessee. The Assessing Officer also considered the assessee's submission that caustic soda and soda flakes utilized in the process would be part of the loss and granted the benefit of such loss at 10.76 per cent. After considering the overall loss of 6.5 per cent as admitted by the assessee, the Assessing Officer concluded that there was still shortfall in the sale of the finished product and made additions accordingly.
- The HC concluded that the Assessing Officer had carried out detailed examination of the material on record while making the addition. The Commissioner (Appeals) and the Tribunal confirmed this view of the Assessing Officer. Accordingly the HC decided that no question of law arose.