आयकरअपीलीयअधिकरण 'सी' न्यायपीठ,चेन्नई। **IN THE INCOME TAX APPELLATE TRIBUNAL** **'C' BENCH: CHENNAI** **श्री मनु कुमार गिरि, न्यायिक सदस्य एवं श्री एस. आर. रघुनाथा लेखा सदस्य** **BEFORE SHRI MANU KUMAR GIRI, JUDICIAL MEMBER AND SHRI S.R.RAGHUNATHA, ACCOUNTANT MEMBER**		
आयकर अपील सं./**ITA No. 2575 & 2576/Chny/2026** निर्धारण वर्ष/**AYs: 2019-20, 2020-21**		
The DCIT, Central Circle 2(2) Income Tax Investigation Building, Ground Floor, Room No B4, No-46, MG Road, Nungambakkam,Chennai-600034	**v.**	SHANMUGHAM THIAGARAJAN No.6 ,Prithvi Avenue, 2nd Street, Abhiramapuram, West Chennai, Chennai-600018
		[**PAN: ADCPC 5420 H]**
(अपीलार्थी**/Appellant-Revenue)**		**(**प्रत्यर्थी**/Respondent-Assessee)**
आयकर अपील सं./**ITA No. 2577 & 2578/Chny/2026** निर्धारण वर्ष/**AYs: 2019-20 & 2020-21**		
The Dy. CIT, Central Circle 2(2) Income Tax Investigation Building, Ground Floor, Room No B4, No-46, MG Road, Nungambakkam,Chennai-600034		**IG3 INFRA LIMITED,** 2, Thoraipakkam Pallavaram, 2 Kanchipuram, Oggiam Thoraipakkam, Oggiamthoraipakkam S.O, Chennai-600097, T.N
		[**PAN: AABCE 2840 C]**
(अपीलार्थी**/Appellant-Revenue)**		**(**प्रत्यर्थी**/Respondent-Assessee)**
अपीलार्थी की ओर से/ Appellant by	:	Mr. R. Venkataraman, CA
प्रत्यर्थी की ओर से /Respondent by	:	Ms. Nayani Swapna, CIT, DR
सुनवाई की तारीख/Date of Hearing	:	05.10.2026
घोषणा की तारीख /Date of Pronouncement	:	16.10.2026

आदेश **/ O R D E R**

PER BENCH:

The captioned appeals have been preferred by the Revenue against the separate orders dated 20.02.2026 passed by the Learned Commissioner of Income Tax (Appeals)-19, Chennai [hereinafter referred to as "the ld. CIT(A)"], arising from the respective assessment orders dated 31.03.2022 passed by the Deputy Commissioner of Income Tax, Central Circle-2(2), Chennai [hereinafter referred to as "the AO"], for the Assessment Years (AYs) 2019-20, 2020-21.

2. Since the issues involved in the present appeals are common and interconnected, and the assessments arise from the same search proceedings, the appeals were clubbed, heard together and are being disposed of by way of this consolidated order for the sake of convenience, brevity and avoidance of repetition in the discussion and adjudication of identical issues.

3. For the purpose of clarity and ready reference, the particulars of the appeals filed by the Revenue are set out in the following table:

S. No.	Assessee	AY	Assessment order passed by the AO	Date of CIT(A) order	ITA No.
1	Shanmugham Thiagarajan	2019-20	Order u/s. 143(3) r.w.s. 153A dated 31.03.2022	20.02.2026	2575/Chny/2026
2	Shanmugham Thiagarajan	2020-21	Order u/s. 143(3) r.w.s. 153A dated 31.03.2022	20.02.2026	2576/Chny/2026
3	IG3 Infra Limited	2019-20	Order u/s. 143(3) r.w.s. 153A dated 31.03.2022	20.02.2026	2577/Chny/2026
4	IG3 Infra Limited	2020-21	Order u/s. 143(3) r.w.s. 153A dated 31.03.2022	20.02.2026	2578/Chny/2026

4. The brief facts emerging from the records are that a search and seizure operation under section 132 of the Income-tax Act, 1961 (hereinafter referred to as "the Act"), was conducted in the case of M/s. IG3 Group and others on 03.11.2020. The search operation also covered the premises of Shri Shanmugham Thiagarajan. During the search conducted at the business premises of M/s. IG3 Infra Limited, Thoraipakkam, Chennai, the search team discovered an Excel file titled "others" in the computer system used by Shri R. Ramamoorthi, Accounts Executive of M/s. IG3 Infra Limited. The file was stored under the path "D DRIVE\ram". A copy of the electronic data contained in the said computer system was seized and inventoried as Serial No. 3 of Annexure ANN/BS/IG/ED/S.

5. Upon examining the aforesaid Excel file, the AO noticed entries containing the names of various parties, transaction dates, cash receipts, payments and running balances. According to the AO, these entries represented cash received from different parties during the financial years 2017-18 to 2020-21, aggregating to Rs.13,51,22,303/-. The Excel sheet disclosed a closing cash balance of Rs.70,50,484/- as on 21.10.2020. The AO also observed that another worksheet titled "otherscash(2)", forming part of the same Excel file, contained tabulated details of payments made to various vendors, the corresponding dates of cash receipts and the balances shown as receivable from those parties. Based on these entries, the AO inferred that amounts paid to certain vendors through banking channels and recorded as expenditure in the books of M/s. IG3 Infra Limited had subsequently been received back in cash, without being accounted for in the regular books of account.

6. The AO also relied substantially on the physical cash discovered during the search at the business premises of M/s. IG3 Infra Limited. The cash found amounted to Rs.71,11,060/-, whereas the cash balance recorded in the company's regular books of account was only Rs.1,02,132/-. The AO noted that the physical cash found during the search substantially matched the closing balance of Rs.70,50,484/- reflected in the seized Excel sheet. According to the AO, this close correspondence lent credence to the entries contained in the seized electronic record and supported the inference that expenditure had been recorded in the company's books, against which the corresponding amounts were subsequently received back in cash.

7. In addition to the electronic data, certain loose sheets, particularly pages 21 and 22, were seized from the premises of M/s. IG3 Infra Limited and inventoried as Annexure ANN/BS/IG/LS/S-7. On the basis of the particulars appearing in the seized materials, the AO determined the alleged cash receipts pertaining to the respective financial years as follows:

Financial Year	Cash Receipts (Rs.)
2017-18	27,80,000
2018-19	3,69,77,575
2019-20	9,14,90,284
2020-21	38,74,444
Total	13,51,22,303

8. During the search proceedings, Shri R.Ramamoorthi, Accounts Executive of M/s. IG3 Infra Limited, was examined on oath u/s.132(4) of the Act on 06.11.2020. In response to Question No.25, he was shown pages 21 and 22 of the seized Annexure

ANN/BS/IG/LS/S-7 and was asked to explain their nature and contents. In his statement, he acknowledged that the documents shown to him were printouts of an Excel sheet maintained by him on his computer and that he had signed them in confirmation. He further explained that the entries represented cash amounts received from various parties by the Managing Director, Smt.Rukmini Thiagarajan, on different dates and that he had recorded the transactions on her instructions.

9. When subsequently questioned about the whereabouts of the cash received, Shri Ramamoorthi referred to the cash kept in a cupboard in the company's server room. He also furnished financial year-wise particulars of the amounts reflected in the seized documents, aggregating to Rs.13,51,22,303/-. The AO regarded this statement as corroborative evidence supporting the entries in the seized Excel sheet and the physical cash found during the search.

10. The search authorities also recorded the statement of Smt. Rukmini Thiagarajan, Managing Director of M/s. IG3 Infra Limited, under section 132(4) of the Act on 04.11.2020. In response to Question No. 81, she stated as follows:

> *"Sir, I accept that above cash was received back under my instructions although same were booked as expenses. However I wish to state that a substantial portion of the cash was spend for the purposes of company which is required in its course of business."*

11. The AO interpreted the aforesaid statement as an admission by Smt.Rukmini Thiagarajan that cash aggregating to Rs.13,51,22,303/- had been received back from various vendors against expenditure recorded in the company's books. Proceeding on this basis, the AO concluded that the expenditure recorded in the

accounts was not genuine to the extent of the amounts allegedly received back in cash. However, it is relevant to note that, in the same statement, Smt. Rukmini Thiagarajan had also clarified that a substantial portion of the cash received back had been utilised for the business purposes of M/s.IG3 Infra Limited.

12. During the post-search proceedings, Smt. Rukmini Thiagarajan submitted a written explanation dated 03.02.2021, clarifying the nature of the transactions recorded in the seized Excel sheet. She explained that the sheet had been maintained by Shri R. Ramamoorthi and contained details of various cash inflows and outflows for the period from 09.02.2018 to 21.10.2020. She further submitted that independent and authentic supporting records were not available for every transaction reflected in the sheet and that the entries did not exclusively represent cash received back from vendors against expenditure recorded in the accounts. According to her, the entries also included cash withdrawals from disclosed bank accounts, routine business transactions, loans and other receipts and payments connected with the business activities of the group concerns.

13. It was further explained that several entries in the seized Excel sheet represented withdrawals from bank accounts duly reflected in the books of account and disclosed in the income-tax returns of the respective persons or group concerns. Smt. Rukmini Thiagarajan also stated that the receipts and payments recorded in the Excel sheet had been undertaken under the directions of her father, Shri Shanmugham Thiagarajan, for the business activities of the group entities. Since, considering the volume of transactions, it was not possible to reconcile each entry in the seized Excel sheet with the

corresponding supporting records, an aggregate income of Rs.2,72,39,040/- was offered to tax on the basis of peak credit, to be considered in the hands of the respective group concerns for the relevant assessment years. The AO also noted that Shri Shanmugham Thiagarajan had furnished a substantially similar explanation in his submission dated 03.02.2021 during the post-search enquiries.

14. The AO, however, declined to accept the explanations furnished during the post-search proceedings. According to the AO, the subsequent explanations were inconsistent with the statements recorded during the search and represented an afterthought intended to diminish the evidentiary significance of the seized materials. The AO observed that, despite the lapse of approximately three months from the date of the search, the assessees had failed to provide a complete transaction-wise reconciliation supported by documentary evidence. He further held that the claims regarding withdrawals from disclosed bank accounts and utilisation of the cash for business purposes were not substantiated by corresponding entries in the regular Tally books maintained by the group concerns.

15. Apart from the seized Excel sheet and the statements recorded during the search, the AO relied upon certain WhatsApp conversations retrieved from the electronic devices of Smt. Rukmini Thiagarajan, which were seized and inventoried as Annexures ANN/MS/RT/ED/S-13 and S-15. In particular, the AO referred to communications involving Shri Ramamoorthi, M/s.SK Cables and Anu Abraham. According to the AO, these conversations further supported the inference that amounts paid to various parties had been received back in cash. Accordingly, the AO treated the

electronic records, loose sheets, statements recorded under section 132(4) of the Act, WhatsApp conversations and physical cash found during the search as mutually corroborative evidence.

16. During the assessment proceedings, the AO required M/s.IG3 Infra Limited to explain the nature and source of the alleged cash receipts aggregating to Rs.13,51,22,303/- recorded in the seized Excel sheet. In response, the assessee reiterated the explanation furnished during the post-search proceedings and submitted that the sheet contained a combination of cash receipts and payments, including transactions already recorded in the regular books of account and transactions pertaining to different group concerns. It was therefore contended that the aggregate cash receipts appearing in the Excel sheet could not, merely by virtue of their total, be treated as unexplained income or as evidence of fictitious expenditure. The assessee accordingly requested the AO to consider the peak credit of Rs.2,72,39,040/- offered across the respective group concerns for the relevant assessment years, instead of assessing the entire gross receipts as taxable income.

17. The AO rejected the aforesaid submissions, principally on the ground that the assessees had failed to furnish a complete and verifiable reconciliation of the entries contained in the seized Excel sheet. The AO observed that, even after approximately sixteen months from the date of the search, satisfactory supporting evidence had not been produced to establish the nature of each receipt and payment. He further held that the peak credit computation lacked reliable documentary support and could not, therefore, be accepted as a proper basis for determining the income arising from the seized transactions. According to the AO, the

assessees' offer of income on a peak credit basis demonstrated their acceptance of the existence of the cash transactions recorded in the Excel sheet, although the quantum and taxability of those transactions remained disputed.

18. The AO reiterated that the closing balance of Rs.70,50,484/- reflected in the seized Excel sheet substantially corresponded with the physical cash of Rs.71,11,060/- found during the search, whereas the regular books disclosed a cash balance of only Rs.1,02,132/-. In the AO's view, this correspondence independently corroborated the authenticity of the seized electronic records. The AO also relied upon the statement of Smt. Rukmini Thiagarajan acknowledging that cash had been received back against expenditure recorded in the company's accounts, together with her subsequent explanation that the transactions had been undertaken under the directions of Shri Shanmugham Thiagarajan and that the funds had been utilised for the purposes of the group concerns.

19. Having considered the aforesaid material cumulatively, the AO concluded that M/s. IG3 Infra Limited and its group concerns had recorded expenditure against payments made to various parties and that the amounts so paid had subsequently been received back in cash. The AO further inferred that the cash had been utilised under the directions of Shri Shanmugham Thiagarajan for his own purposes and those of the group concerns. On this basis, the AO treated the cash receipts reflected in the seized Excel sheet as income assessable substantively in the hands of Shri Shanmugham Thiagarajan under the head “Income from Other Sources”, while making corresponding protective additions in the hands of M/s. IG3 Infra Limited on account of the alleged bogus expenditure.

20. Accordingly, while completing the assessments for AYs 2019-20 and 2020-21, the AO made the following substantive and protective additions in the respective cases:

Assessment Year	**Substantive addition in the hands of Shri Shanmugham Thiagarajan (Rs.)**	**Protective addition in the hands of M/s. IG3 Infra Limited (Rs.)**
2019-20	3,69,77,575	3,69,77,575
2020-21	9,14,90,284	9,14,90,284
Total	**12,84,67,859**	**12,84,67,859**

21. Aggrieved by the assessment orders, Shri Shanmugham Thiagarajan and M/s. IG3 Infra Limited preferred separate appeals before the ld. CIT(A), challenging the substantive and protective additions, respectively. By separate appellate orders dated 20.02.2026, the ld. CIT(A) disposed of the appeals of the respective assessees. In the case of Shri Shanmugham Thiagarajan, the ld. CIT(A) deleted the substantive additions in full and allowed the appeals. In the case of M/s. IG3 Infra Limited, the ld. CIT(A) restricted the additions to 25% of the amounts assessed by the AO and deleted the balance 75%, thereby partly allowing the company's appeals.

22. Consequently, the substantive additions made in the hands of Shri Shanmugham Thiagarajan were deleted in their entirety, whereas the corresponding protective additions made in the hands of M/s. IG3 Infra Limited were sustained only to the extent of 25%. Aggrieved by the relief granted by the ld. CIT(A), the Revenue has filed the present appeals before this Tribunal. As the appeals arise from the same search proceedings, involve common seized material

and raise substantially identical factual issues relating to the alleged cash receipts and expenditure recorded in the books of the group concerns, they are being considered together. The issues arising in the respective appeals are discussed hereunder.

ITA Nos. 2575 & 2576/Chny/2026 — Shri Shanmugham Thiagarajan:

23. We shall first consider and adjudicate the Revenue's appeals in ITA Nos. 2575 and 2576/Chny/2026, relating to AYs 2019-20 and 2020-21, respectively, in the case of Shri Shanmugham Thiagarajan. In these appeals, the Revenue has challenged the orders of the ld. CIT(A) deleting the substantive additions made by the AO. Since the relevant factual background and circumstances leading to the impugned additions have already been discussed in detail in the preceding paragraphs, we do not consider it necessary to repeat the same. We shall accordingly proceed to examine the submissions made before the ld. CIT(A), the findings recorded by the first appellate authority and the grounds raised by the Revenue, in the light of the material available on record, the rival submissions and the applicable legal principles.

24. Before the ld. CIT(A), the assessee contended that the additions made by the AO under the head “Income from Other Sources” were wholly unsustainable on facts as well as in law, as they were founded on assumptions and presumptions without any cogent evidence demonstrating that he had received the alleged amounts, exercised control over them or derived any personal benefit therefrom. It was submitted that the assessee was approximately 72 years old and had formerly served as the Chief Executive Officer

of M/s. IG3 Infra Limited (hereinafter referred to as "IG3"). Owing to serious health issues, including a stroke affecting his right hand and subsequent cardiac surgery, he had not been actively involved in the company's business and financial affairs for several years.

25. The assessee submitted that the entire addition arose from an Excel file titled "Others", discovered in the computer system used by Shri Ramamoorthi, Accounts Executive of IG3, at the company's business premises in Thoraipakkam, Chennai. The file contained entries relating to alleged cash receipts and payments aggregating to Rs.13,51,22,303/- over different financial years. The AO had treated these amounts as the assessee's undisclosed income for the respective assessment years without producing any evidence to establish that the amounts represented his personal income.

26. It was emphatically contended before the ld. CIT(A) that the seized Excel file had not been recovered from the assessee's residence or from any computer or electronic device belonging to him. Rather, the file was admittedly found on a computer used by an employee of IG3 at the company's business premises. Further, none of the entries in the file mentioned the assessee by name or established that he had personally received or utilised any amount. Even according to the AO, the entries related to alleged cash transactions involving various vendors, business activities and group concerns of IG3. The assessee therefore argued that, in the absence of evidence establishing a direct connection between him and the recorded transactions, the addition could not be sustained merely on the basis of conjecture and surmise.

27. The assessee further submitted that no unexplained cash, jewellery, bullion, valuable articles, undisclosed investments or unexplained expenditure attributable to him had been discovered during the search or subsequent proceedings. Nor was there any evidence of a cash trail, banking transaction, asset acquisition or personal expenditure indicating that the alleged receipts had accrued to him or had been utilised for his benefit. Accordingly, it was contended that the fundamental factual basis necessary to assess the disputed amounts as income in his individual hands was entirely lacking.

28. Referring to the statements recorded during the search, the assessee submitted that Shri Ramamoorthi, in his sworn statement recorded under section 132(4) of the Act on 06.11.2020, had categorically explained that the entries in the Excel file related to cash receipts and payments of IG3 and had been recorded on the instructions of Smt. Rukmini Thiagarajan, the company's Managing Director. Shri Ramamoorthi had not stated that the assessee had personally received any cash or that the transactions were undertaken for his individual benefit. The assessee therefore contended before the ld. CIT(A) that Shri Ramamoorthi's statement did not support the AO's conclusion and, instead, indicated that the transactions concerned the company's affairs.

29. It was further submitted that Smt. Rukmini Thiagarajan, the assessee's daughter and Managing Director of IG3, had explained in her sworn statement recorded on 06.11.2020 that certain receipts and payments had been undertaken to meet the business requirements of the group concerns. In her subsequent written submission dated 03.02.2021 before the DDIT (Investigation), she

clarified that most of the receipts represented cash withdrawals from bank accounts and that the payments related to business expenditure. According to the assessee, neither her sworn statement nor her subsequent explanation attributed any personal receipt or benefit to him. The assessee also contended that his own letter dated 03.02.2021, which referred to certain transactions being undertaken under his general directions for the business purposes of the group, could not be treated as an admission that the amounts constituted his personal income. General supervision or oversight of business operations, by itself, could not justify the conclusion that the transactions represented his undisclosed income.

30. The assessee argued that the AO had selectively relied upon isolated portions of the statements of Shri Ramamoorthi and Smt. Rukmini Thiagarajan and had drawn conclusions unsupported by the actual contents of those statements or by independent evidence. It was submitted that the AO had simultaneously proceeded on the basis that the amounts were utilised for the business purposes of the group concerns and alleged that bogus expenditure had been recorded in the accounts of IG3 and its group entities, with the amounts being utilised by the assessee for his personal purposes. According to the assessee, these conclusions were mutually contradictory and were not supported by any identifiable transaction or corroborative evidence.

The assessee also challenged the additions on the ground that the principles of natural justice had been violated. It was submitted that, during neither the search nor the post-search proceedings, had the assessee been confronted with the seized Excel file or specifically questioned regarding his alleged personal involvement in

the cash receipts aggregating to Rs.13.51 crore. The notice issued under section 142(1) of the Act on 01.02.2022 merely sought general information and an explanation concerning the debits and credits appearing in the seized Excel file. According to the assessee, the notice did not specifically propose to assess any part of the alleged receipts as his personal income under the head "Income from Other Sources". It was therefore contended that the AO had made the additions without informing the assessee of the specific adverse inference proposed to be drawn against him and without providing an effective opportunity to rebut the alleged personal connection. Such action, according to the assessee, violated the principles of natural justice.

31. Without prejudice to the aforesaid submissions, the assessee disputed the authenticity, reliability and evidentiary worth of the seized Excel file itself. It was submitted that the file was merely an internal working sheet maintained by Shri Ramamoorthi on the basis of information available to him and did not constitute regular books of account maintained in the ordinary course of business. The file contained scattered and irregular entries without proper narration, supporting vouchers, continuity of balances or a dependable audit trail. The assessee specifically highlighted the presence of several arithmetical discrepancies, formula errors and negative balances, contending that these defects demonstrated that the file could not be regarded as a complete and reliable record of actual cash transactions.

32. Elaborating on these discrepancies, the assessee pointed out that the Excel file reflected a negative balance of Rs.20,000/- on 08.03.2018. Further, no closing balances were carried forward

during the period from June 2018 to February 2019, whereas closing balances began appearing abruptly from 01.03.2019 without any discernible connection with the preceding entries. Similar negative balances were also noticed during May 2019 to November 2019 and again in February 2020. These inconsistencies, according to the assessee, demonstrated that the running balances in the Excel file were neither arithmetically accurate nor maintained continuously. Consequently, the figures contained therein could not be accepted at face value without independent verification and reconciliation.

33. The assessee further submitted before the ld.CIT(A) that several entries in the Excel file corresponded to cash withdrawals from the bank accounts of Smt.Rukmini Thiagarajan, IG3 and other group entities, while the payments related to genuine business expenditure. However, the AO had not attempted to reconcile these entries with the books of account, bank statements or supporting records of the respective entities. It was pointed out that IG3 had explained that reconciling every transaction with the books of account of the various group concerns would require considerable time. Nevertheless, without prejudice to its contentions, the company had offered aggregate peak credit of Rs.2,72,39,040/- across the relevant years. The assessee contended that the company's offer could not be treated as evidence of undisclosed income in his individual hands.

34. In support of the proposition that loose sheets, diaries and uncorroborated electronic notings could not, by themselves, provide sufficient evidence for making additions, the assessee relied upon the decision of the Hon'ble Supreme Court in Common Cause (A

Registered Society) v. Union of India [2017] 394 ITR 220 (SC)/245 Taxman 214 (SC)/ (2018) 9 SCC 382, wherein the evidentiary value of loose papers and other records not maintained as regular books of account was examined. Reliance was also placed on the decision of the Hon'ble Supreme Court in CBI v. V.C. Shukla, AIR 1998 SC 1406 / 1998 (3)SCC410 , in support of the proposition that entries in loose sheets, without independent corroborative evidence, could not by themselves fasten liability upon a person.

35. The assessee also placed reliance upon the judgment of the Hon'ble Karnataka High Court in Deputy Commissioner of Income Tax v. Sunil Kumar Sharma [2024] 159 taxmann.com 179 / 469 ITR 197 (Kar.), later SLP dismissed by the Hon’ble Supreme Court in ([2024] 469 ITR 271 / [2024] 168 taxmann.com 77). According to the assessee, the said decision held that loose sheets or diaries containing typed or handwritten entries, which had not been established as part of regularly maintained books of account, could not constitute sufficient evidence for making additions in the absence of independent corroboration connecting the assessee with the alleged transactions. It was further brought to the notice of the ld. CIT(A) that the Revenue's Special Leave Petition against the said judgment had been dismissed by the Hon'ble Supreme Court by order dated 27.10.2025, reported in 180 taxmann.com 293. The assessee accordingly submitted that the principles laid down in these judicial precedents supported his case, particularly because the impugned addition was based exclusively on an unreliable Excel working sheet recovered from the premises of a third-party company, without independent evidence connecting the entries with him.

36. The assessee also disputed the AO's reliance upon the closing cash balance of Rs.70,50,484/- recorded in the Excel file, which was stated to be approximately comparable with the physical cash found at IG3's premises during the search. It was submitted that the closing balance did not arise from a continuous and arithmetically consistent running account. On the contrary, the Excel file contained several negative balances, omitted carry-forward figures and discontinuities. The assessee contended that correcting the errors and omissions and recomputing the entries would result in a materially different closing balance. Accordingly, the apparent proximity between the closing balance in the Excel file and the physical cash discovered during the search was merely coincidental or artificial and could not independently establish either the authenticity of the entries or the assessee's personal involvement.

37. The assessee further contended that the AO had made substantive additions in his individual assessment while simultaneously making protective additions of identical amounts in the hands of IG3 for the same assessment years. According to the assessee, these simultaneous additions demonstrated that the AO was uncertain as to the person in whose hands the alleged income was assessable. It was also pointed out that, although both assessments were completed on the same date, the assessment order in the assessee's case did not disclose that corresponding protective additions had been made in the company's hands. The assessee therefore submitted that, in the absence of conclusive evidence establishing that the alleged receipts belonged to him personally, substantive tax liability could not be imposed merely

because of his former association with the company or his relationship with its Managing Director.

38. In view of the foregoing, the assessee submitted before the ld. CIT(A) that the impugned additions rested exclusively on an unreliable electronic working sheet recovered from IG3's business premises, without independent corroboration establishing that he had received, controlled, utilised or derived any personal benefit from the alleged transactions. It was reiterated that neither the seized material nor the statements recorded during the search established any direct connection between the assessee and the alleged receipts. The AO had failed to undertake meaningful verification of the entries, drawn inconsistent conclusions from the available material and made the additions without providing an effective opportunity to address the specific allegation of personal income. The assessee accordingly contended that the additions were unsustainable on both factual and legal grounds and deserved to be deleted in full.

39. The assessee also sought admission of an additional ground before the ld. CIT(A), challenging the substantive additions on the basis that the seized material admittedly pertained to IG3 and that no personal connection between the transactions and the assessee had been established.

40. After examining the facts and circumstances of the case, the seized material, the statements recorded during the search and the evidence available on record, the ld. CIT(A), by the common order dated 20.02.2026, deleted the substantive additions made by the AO in the assessee's hands for the assessment years under

consideration. The principal findings and reasons underlying the deletion of the additions are summarised below.

41. The ld. CIT(A) recorded a categorical factual finding that the additions originated entirely from the Excel file titled "Others", which had been found and seized from the computer used by Shri Ramamoorthi, Accounts Executive of M/s. IG3 Infra Limited, at the company's business premises. The ld. CIT(A) noted that the file had admittedly not been recovered from the assessee's residence, personal custody or electronic devices. Since the document had been maintained by an employee in the course of his official duties, the ld. CIT(A) held that it primarily related to the business affairs of the company.

42. On examining the contents of the seized Excel file, the ld. CIT(A) found that the entries concerned alleged cash receipts and payments involving various vendors and group entities. Significantly, none of the entries mentioned the assessee's name or indicated that he had personally received, controlled, appropriated or utilised any of the amounts recorded therein. The ld. CIT(A) accordingly held that the assessee's association with the company or his position in its management could not, in the absence of specific evidence, justify the conclusion that the alleged cash transactions represented his undisclosed personal income.

43. The ld. CIT(A) also observed that no undisclosed cash, jewellery, bullion, investments or other valuable assets had been found or seized from the assessee. The physical cash discovered during the search was located at the business premises of M/s. IG3 Infra Limited and not at the assessee's residence. No evidence was available to demonstrate that the assessee possessed or controlled

any undisclosed assets corresponding to the alleged cash transactions. The ld. CIT(A), therefore, concluded that the necessary connection between the alleged undisclosed receipts and the assessee was entirely absent.

44. The ld.CIT(A) examined the statements of Shri Ramamoorthi and Smt. Rukmini Thiagarajan, on which the AO had placed substantial reliance. It was found that Shri Ramamoorthi had merely stated that he maintained the Excel file in the course of his employment and that the transactions had been recorded pursuant to the Managing Director's instructions. His statement did not attribute any personal receipt, appropriation or benefit to the assessee. Similarly, the statement and subsequent clarification furnished by Smt. Rukmini Thiagarajan indicated that the receipts and payments related to the business requirements of the group concerns and that certain receipts represented bank withdrawals utilised for business expenditure. She had not stated that the assessee personally received or appropriated any cash. The ld. CIT(A) consequently held that the AO had selectively relied upon isolated portions of the statements and drawn conclusions unsupported by their actual contents. It was emphasised that supervising business activities or issuing instructions in the course of management could not, by itself, establish that personal income had accrued to the assessee.

45. The ld. CIT(A) also identified a fundamental procedural defect in the assessment proceedings. The AO had neither confronted the assessee with the seized Excel file nor specifically required him to explain why the alleged cash receipts aggregating to Rs.13.51 crore should be assessed as his individual income. The ld. CIT(A)

observed that the notice issued under section 142(1) of the Act contained only general queries and did not disclose the specific proposal to treat the alleged cash transactions as the assessee's undisclosed income. Consequently, the assessee had been deprived of an effective and meaningful opportunity to rebut the adverse inference ultimately drawn against him. The ld. CIT(A) therefore held that the additions were vitiated by a violation of the principles of natural justice.

46. On examining the nature and contents of the Excel file, the ld. CIT(A) found that it was merely an internal working document maintained by an employee and did not constitute regular books of account kept in the ordinary course of business. The file lacked consistent narrations, references to supporting vouchers, an adequate audit trail and continuity in the running balances. Particular attention was drawn to the negative balances, missing carry-forward figures and abrupt appearance of amounts without corresponding explanations. These defects rendered the entries arithmetically unreliable and insufficient, by themselves, to establish undisclosed income. The ld. CIT(A) accordingly held that loose electronic workings unsupported by independent corroborative evidence could not provide a legally sustainable basis for making substantive additions in the assessee's hands.

47. The ld. CIT(A) further held that, even if the entries in the seized Excel file were assumed to be correct, they could not automatically be characterised as the assessee's undisclosed income without independent evidence establishing their authenticity and connection with him. The AO had not produced corroborative material in the form of a cash trail, banking transactions, confirmations from

counterparties, undisclosed investments, unexplained expenditure or assets demonstrating that the alleged receipts belonged to or had been enjoyed by the assessee. In the absence of such supporting evidence, the ld. CIT(A) concluded that the additions were founded on presumptions and conjectures rather than legally sustainable material.

48. The ld. CIT(A) also rejected the AO's attempt to corroborate the entries in the Excel file by comparing its closing balance with the physical cash found during the search. It was held that, where the Excel file itself suffered from substantial internal inconsistencies and lacked arithmetical reliability, an approximate numerical correspondence could not amount to independent corroboration. The ld. CIT(A) considered the apparent matching insufficient to establish either the genuineness of the alleged cash receipts or their assessability as the assessee's undisclosed income.

49. The ld. CIT(A) further took note of the fact that the AO had made substantive additions in the assessee's hands while simultaneously making protective additions of identical amounts in the hands of M/s. IG3 Infra Limited. This circumstance was considered significant because it indicated uncertainty regarding the person in whose hands the alleged income was assessable. In the absence of cogent evidence establishing that the cash receipts belonged personally to the assessee, the ld. CIT(A) held that the substantive additions could not be sustained on the basis of such an uncertain inference.

50. The ld. CIT(A) ultimately held that the seized Excel file, having been recovered from the business premises of M/s. IG3 Infra Limited and maintained by its employee in connection with business

transactions, related to the affairs of the company. In the absence of evidence establishing the diversion of company funds to the assessee or any personal benefit derived by him, the alleged transactions could not be assessed as his individual income. The ld. CIT(A) further observed that, if any addition was warranted on the basis of the seized material, the question could be examined in the hands of M/s. IG3 Infra Limited, subject to the applicable provisions of law.

51. Based on the aforesaid findings, the ld. CIT(A) concluded that the substantive additions made by the AO were unsupported by reliable incriminating material establishing undisclosed income in the assessee's hands. The additions rested solely on an internally inconsistent Excel file recovered from the premises of a third-party company, without independent corroboration or evidence of personal receipt, appropriation or benefit. The ld. CIT(A), therefore, held that the additions lacked both factual and legal foundation and directed their complete deletion for the assessment years under consideration.

52. Being aggrieved by the order of the ld. CIT(A) deleting the additions made by the AO, the Revenue has preferred the present appeals before this Tribunal, challenging the correctness of the impugned appellate order.

53. The ld. Departmental Representative (ld. DR), appearing on behalf of the Revenue, strongly supported the assessment order and challenged the findings recorded by the ld. CIT(A). Reiterating the grounds raised in the appeals, the ld. DR contended that the ld. CIT(A) had erred in law as well as on facts in deleting the substantive additions made by the AO. It was submitted that the ld.

CIT(A) was not justified in interfering with the assessment order. Accordingly, the ld. DR prayed that the impugned appellate order be set aside and the assessment order passed by the AO be restored.

54. Conversely, the ld. Authorised Representative (ld. AR), appearing for the assessee, strongly supported the order of the ld. CIT(A). It was submitted that the ld. CIT(A), after duly examining the facts and material available on record, had passed a reasoned and speaking order deleting the additions made by the AO. The ld. AR contended that the Revenue had failed to identify any factual error, legal infirmity or perversity in the findings of the ld. CIT(A) warranting interference by this Tribunal.

55. The ld. AR submitted that the impugned additions were based exclusively on Excel sheets allegedly seized from the premises of a third party, which had neither been recovered from the assessee's premises nor prepared or maintained by him. It was therefore argued that no adverse inference could be drawn against the assessee merely from entries in third-party documents in the absence of independent corroborative evidence establishing a connection between those entries and the assessee. Referring to the sworn statements of Shri Ramamoorthi and Smt.Rukmini Thiagarajan, the ld.AR submitted that neither of them had implicated the assessee in the alleged transactions or stated that he was the beneficiary of any amount recorded in the Excel sheets. Accordingly, the statements relied upon by the AO did not substantiate the additions made in the assessee's hands.

56. The ld. AR further submitted that the assessee's premises had also been covered by the search proceedings, but no incriminating material, documentary evidence or corresponding transaction trail

relating to the entries in the impugned Excel sheets had been discovered. It was emphasised that the search had not resulted in the detection of any unexplained investment or expenditure attributable to the assessee. In the absence of tangible evidence connecting him with the alleged transactions, the AO was not justified in treating the amounts reflected in the Excel sheets as income taxable under the head "Income from Other Sources".

57. The ld. AR also drew attention to the statement of Smt. Rukmini Thiagarajan, wherein she had stated that the transactions had been carried out under the instructions of her father, Shri Shanmugham Thiagarajan, for the business purposes of the group concerns. It was contended that the AO had misconstrued and selectively interpreted the statement without appreciating its full context, thereby seeking to impose an unwarranted tax liability upon the assessee. According to the ld. AR, a holistic reading of the statement did not establish any connection between the alleged transactions and the assessee, much less demonstrate that he had derived any benefit therefrom.

58. The ld. AR accordingly contended that the additions were based on conjectures, surmises and uncorroborated entries in third-party records, without cogent evidence establishing that the amounts represented the assessee's undisclosed income. It was submitted that the ld. CIT(A), after comprehensively examining the evidentiary material and the surrounding circumstances, had rightly concluded that the substantive additions made in the assessee's hands for the assessment years under consideration were unsustainable both on facts and in law.

59. The ld. AR further submitted that the findings recorded by the ld. CIT(A) were essentially factual conclusions reached after properly appreciating the material available on record. The Revenue had not produced any material demonstrating that these findings were contrary to the evidence or vitiated by perversity. In the absence of any such infirmity, no interference with the reasoned order of the ld. CIT(A) was warranted. The ld. AR accordingly prayed that the appellate order be upheld and the Revenue's appeals for the relevant assessment years be dismissed.

60. We have heard the rival submissions of the parties, perused the orders passed by the authorities below, examined the seized materials and statements recorded during the search proceedings, and carefully considered the grounds raised by the Revenue in the context of the facts and circumstances of the case and the applicable legal principles. The principal substantive issue requiring our adjudication is whether the ld. CIT(A) was justified in deleting the additions of Rs.3,69,77,575/- and Rs.9,14,90,284/- made by the AO in the assessee's hands for AYs 2019-20 and 2020-21, respectively, on the basis of entries contained in an Excel file seized from the business premises of M/s. IG3 Infra Limited.

The Revenue has challenged the deletion primarily on the ground that the ld. CIT(A) failed to appreciate the evidentiary significance of the seized electronic records, the statements recorded under section 132(4) of the Act and the statutory presumptions provided under sections 132(4A) and 292C of the Act. The Revenue has also relied upon decisions of the Hon'ble Supreme Court and the Hon'ble jurisdictional High Court in support of its contention that the seized

documents and admissions made during the search constituted sufficient material to sustain the additions.

Upon careful consideration of the entire factual background and the rival submissions, we find no justifiable ground to interfere with the conclusions reached by the ld. CIT(A), for the reasons set out in the ensuing discussion.

61. At the outset, it is pertinent to observe that the existence of seized material and the taxability of the transactions allegedly reflected therein are two distinct questions and cannot be treated as interchangeable. The discovery of a document containing monetary entries may constitute relevant material for investigation and assessment. However, before any amount recorded therein can be brought to tax in the hands of a particular assessee, the Assessing Officer ("AO") must establish, on the basis of legally admissible and reasonably reliable evidence, that the transactions represented by such entries are attributable to that assessee and that the amounts in question constitute income chargeable to tax in his hands. The statutory provisions governing search and seizure do not dispense with this fundamental requirement. In the present case, the decisive question is not merely whether the Excel file titled "Others" was found during the search or whether it contained entries relating to cash receipts and payments, but whether the AO established the requisite factual and legal nexus between those entries and the alleged undisclosed personal income of Shri Shanmugham Thiagarajan. It is against this backdrop that the sustainability of the impugned additions and the findings recorded by the ld. CIT(A) are required to be examined.

62. On a careful examination of the assessment orders, we find that the entire basis of the substantive additions is an Excel file recovered from the computer system used by Shri R. Ramamoorthi, Accounts Executive of M/s. IG3 Infra Limited, at the business premises of the said company. The electronic data was inventoried as Serial No. 3 of Annexure ANN/BS/IG/ED/S. It is undisputed that the impugned electronic record was neither recovered from the residential premises of the assessee nor found in any computer, electronic device or other property belonging to or maintained by him. Shri Ramamoorthi, an employee of M/s. IG3 Infra Limited, expressly acknowledged that he maintained the Excel file. The transactions recorded therein ostensibly related to cash receipts, payments, vendors and other business dealings involving the company and its group concerns. These circumstances assume considerable significance because the AO sought to assess the entire disputed amounts substantively in the individual hands of the assessee, even though the underlying document originated from the business establishment of a separate juristic entity. We agree with the ld. CIT(A) that the place of recovery, the identity of the person maintaining the document and the nature of the transactions recorded therein are material considerations in determining the person to whom the alleged transactions may legitimately be attributed.

63. We further notice that the seized Excel file did not contain any specific entry identifying the assessee as the recipient or beneficiary of the alleged cash receipts. The relevant entries did not indicate that any particular amount had been delivered to him, retained by him, appropriated for his personal use or expended on his behalf.

The AO has also not identified any corresponding bank transaction, investment, acquisition of property, personal expenditure or other financial benefit that would reasonably demonstrate that the alleged cash receipts accrued to or were enjoyed by the assessee in his individual capacity. The Revenue has not brought any material on record to dislodge the categorical finding of the ld. CIT(A) in this regard. In our considered view, the distinction between transactions undertaken in connection with the business affairs of a company and income accruing to an individual associated with its management cannot be obliterated merely on the basis of suspicion arising from the individual's position or influence within the group. A company possesses a legal identity distinct from that of its directors, shareholders and other persons associated with its management. Consequently, alleged unaccounted receipts of a company cannot automatically be treated as the personal income of an individual without evidence establishing diversion, appropriation or beneficial enjoyment by that individual.

64. We find that the AO appears to have proceeded on the premise that, since the assessee was formerly associated with the management of M/s. IG3 Infra Limited and the transactions were stated to have been undertaken under his directions, the amounts recorded in the Excel file necessarily represented his undisclosed income. We are unable to subscribe to this proposition. Even assuming that the assessee exercised general supervision over certain business activities or issued instructions concerning the financial affairs of the group concerns, such circumstances, without more, would not establish that the amounts involved constituted income belonging to him personally. There is a material distinction

between exercising administrative control over business transactions and acquiring beneficial ownership of the funds involved therein. The AO has not demonstrated how the former circumstance, even if accepted, necessarily establishes the latter. The inference drawn by the AO thus suffers from a fundamental evidentiary deficiency, as the essential nexus between the alleged transactions and the assessee's personal income has not been established. We accordingly agree with the ld. CIT(A) that the substantive additions cannot be sustained merely on account of the assessee's former managerial association with the company or his familial relationship with its Managing Director.

65. We also find considerable merit in the finding of the ld. CIT(A) that the search proceedings did not yield any corresponding undisclosed asset or investment attributable to the assessee. Although the assessee's premises were also covered during the search, no unexplained cash, jewellery, bullion, investment, valuable article or documentary evidence corresponding to the impugned transactions was found in his possession. The cash of Rs.71,11,060/- relied upon by the AO was admittedly found at the business premises of M/s.IG3 Infra Limited and not at the residence or premises of the assessee. There is also no finding that the assessee exercised personal dominion over the said cash or that any portion thereof was transferred to him. We are conscious that the absence of corresponding undisclosed assets does not, by itself, invariably establish that no undisclosed income existed. Nevertheless, where the Revenue seeks to attribute substantial cash receipts recorded in documents belonging to a company to an individual in whose possession neither the documents nor the cash

was found, the absence of an identifiable financial trail connecting that individual with the disputed amounts assumes considerable evidentiary significance. In the present case, this circumstance reinforces the conclusion of the ld. CIT(A) that the AO failed to establish the factual foundation necessary for fastening substantive tax liability upon the assessee.

66. The evidentiary material must also be examined in the context of the precise nature of the additions made. The AO assessed the disputed amounts under the head "Income from Other Sources", notwithstanding his own conclusion that the amounts represented cash allegedly received back from vendors against expenditure booked in the accounts of M/s. IG3 Infra Limited and its group concerns. If the transactions involved reimbursements or cash returned against expenditure claimed by the company, the primary enquiry would necessarily concern the genuineness of the expenditure claimed by the relevant business entity, the identity of the parties involved and the actual treatment of the amounts in its books of account. Such an enquiry cannot be substituted by an assumption that the gross cash receipts constituted the personal income of an individual merely because he was stated to have exercised supervisory authority over the group. The AO has neither identified the source or character of any independent income accruing to the assessee from the alleged transactions nor established any separate receipt in his hands capable of being assessed under the residuary head of income. We are, therefore, of the considered opinion that the classification adopted by the AO does not cure the absence of evidence establishing the person to whom the alleged income, if any, legally belongs.

67. The Revenue has placed considerable reliance on the statement recorded from Shri R. Ramamoorthi under Section 132(4) of the Act on 06.11.2020, particularly his answer to Question No.25, wherein he acknowledged that the seized loose sheets were printouts of the Excel file maintained by him and that the entries represented cash receipts from various parties. We have carefully considered the evidentiary import of the said statement. It is significant that Shri Ramamoorthi identified himself as the person maintaining the Excel file and specifically stated that the entries were recorded pursuant to the instructions of Smt.Rukmini Thiagarajan, Managing Director of M/s.IG3 Infra Limited. He also referred to the cash kept in a cupboard situated in the company's server room. These statements, even if accepted at face value, establish, at the highest, that certain cash transactions were recorded by an employee of the company in connection with its business affairs and under the instructions of its Managing Director. They do not establish that the assessee personally received any amount, that any amount was handed over to him or that he derived any pecuniary benefit from the transactions. The AO has not identified any specific answer in Shri Ramamoorthi's statement that directly implicates the assessee as the owner or beneficiary of the alleged cash receipts. In these circumstances, the ld.CIT(A) was justified in holding that the statement of Shri Ramamoorthi did not provide the requisite corroboration for making substantive additions in the hands of the assessee.

68. We have also examined the statement of Smt. Rukmini Thiagarajan recorded during the search, particularly her response to Question No.81, on which the AO has placed substantial reliance. In

the said answer, she acknowledged that cash had been received back against expenditure booked in the accounts, while simultaneously explaining that a substantial portion of the cash was utilised for the company's business purposes in the ordinary course. The statement must be read as a whole and in its proper context. It would be impermissible to isolate the portion acknowledging the cash receipts while disregarding the accompanying explanation concerning the utilisation of the funds for business purposes. More importantly, the statement contains no admission that the cash so received constituted the personal income of Shri Shanmugham Thiagarajan or that any amount had been diverted to him for his individual benefit. The subsequent explanation dated 03.02.2021, referring to transactions undertaken under the assessee's directions for the business activities of the group concerns, does not alter this position. Depending upon the surrounding evidence, such a statement may be relevant to an examination of the business transactions of the concerned entities; however, without independent evidence of personal appropriation, it does not establish that the assessee was the beneficial owner of the funds. We accordingly concur with the ld. CIT(A) that the AO drew an inference extending materially beyond the actual contents of the statements relied upon by him.

69. We further observe that the written explanation furnished during the post-search proceedings cannot be rejected in its entirety merely by describing it as an afterthought. The explanation dated 03.02.2021 specifically stated that the Excel file contained a mixture of transactions, including cash withdrawals from disclosed bank accounts, business receipts, payments, loans and other transactions

relating to different group concerns. It was also explained that the entries were not exclusively referable to cash received back from vendors against expenditure claimed in the books of account. The AO was undoubtedly entitled to examine the veracity of this explanation and to reject any particular claim that remained unsubstantiated. However, rejection of the explanation would not, by itself, establish the Revenue's positive allegation that the entire disputed amounts represented the assessee's personal undisclosed income. The burden of establishing the identity of the person chargeable to tax could not be discharged merely by pointing to deficiencies in the reconciliation furnished by the company or the group concerns. Even if the explanation regarding the source and utilisation of particular cash entries were found unsatisfactory, the AO was still required to establish the factual and legal basis for assessing those entries in the individual hands of the assessee. We find that this essential exercise was not undertaken.

70. The Revenue has also relied upon certain WhatsApp conversations retrieved from the electronic devices of Smt. Rukmini Thiagarajan, particularly communications involving Shri Ramamoorthi, M/s.SK Cables and Anu Abraham. We do not dispute that electronic communications, when duly authenticated and properly connected with the transactions in question, may constitute relevant evidence in income-tax proceedings. However, their evidentiary value must be assessed with reference to their actual contents, the identities of the participants, the transactions to which they relate and the inferences that may reasonably be drawn therefrom. In the present case, the AO has not demonstrated how the communications establish that the assessee personally received,

retained or appropriated the disputed amounts. At the highest, the communications have been relied upon in support of the allegation that certain payments made to vendors were subsequently returned in cash. Even if such an inference were accepted, it would not automatically establish that the returned amounts constituted income belonging to the assessee individually. The evidentiary gap between an alleged cash-back transaction involving a company and the attribution of the resultant amount to a particular individual remains unbridged. We therefore find no infirmity in the conclusion of the ld. CIT(A) that the additional electronic material relied upon by the AO did not establish the requisite nexus with the assessee's personal income.

71. Another material aspect considered by the ld. CIT(A) was the nature and reliability of the seized Excel file. On examining the material, the ld. CIT(A) noticed that the file was an internal electronic working sheet maintained by an employee and was not shown to be a regularly maintained, complete and independently verified cash book. The entries suffered from several inconsistencies, including negative cash balances, missing carry-forward figures, discontinuities in running balances and unexplained commencement of closing balances at different points in time. The assessee specifically pointed out that the file reflected a negative balance on 08.03.2018, that closing balances were not consistently carried forward during the period from June 2018 to February 2019, and that further negative balances appeared during subsequent periods. These discrepancies were material because the AO treated the gross entries and the purported closing balance as reliable evidence of actual cash transactions. We find that the ld. CIT(A) was

justified in considering these inherent deficiencies while evaluating the evidentiary weight of the seized electronic record. An electronic worksheet may constitute relevant evidence, but its probative value cannot be assumed to be conclusive merely because it was discovered during a search. Where the entries are incomplete, internally inconsistent or unsupported by transaction-wise verification, the figures recorded therein require careful scrutiny before being adopted as the basis for a substantial tax addition. In this connection, we consider it necessary to clarify that the ld. CIT(A) has not proceeded on the premise that electronic records or loose sheets seized during a search are inherently inadmissible or devoid of evidentiary value. Properly understood, the finding of the ld. CIT(A) is that this particular Excel file, having regard to its contents, manner of maintenance, internal discrepancies and the absence of evidence connecting it personally with the assessee, was insufficient to establish the disputed income in his hands. This distinction is important. The admissibility of a document as evidence and the sufficiency of that document to establish a particular taxable transaction are separate matters. A document may be admissible and relevant for investigation and yet fall short of proving the specific inference sought to be drawn from it. We find that the ld. CIT(A) correctly applied this distinction while evaluating the evidentiary material and did not disregard the seized document merely because it was in electronic form.

72. The AO further sought to corroborate the correctness of the Excel file by referring to the closing cash balance of Rs.70,50,484/- appearing therein and the physical cash of Rs.71,11,060/- found at the business premises of M/s.IG3 Infra Limited. We have carefully

considered this aspect, which constitutes one of the principal circumstances relied upon by the Revenue. The approximate correspondence between the two figures is undoubtedly a circumstance that may lend some support to the existence of cash transactions recorded in the electronic file. Nevertheless, such numerical proximity cannot be treated as conclusive proof of the correctness of every entry recorded over several financial years, particularly when the underlying worksheet suffers from the discrepancies noticed by the ld. CIT(A). More fundamentally, the cash was found at the premises of the company, whereas the additions were made substantively in the hands of the assessee in his individual capacity. The similarity between the closing balance reflected in a company's electronic record and the cash physically found at its premises does not establish that the assessee owned the cash or was the beneficiary of the alleged transactions. The corroboration relied upon by the AO, therefore, does not address the decisive question of attribution. We accordingly uphold the finding of the ld. CIT(A) that the alleged matching of figures, even if relevant to the company's transactions, was insufficient to sustain the substantive additions in the hands of the assessee.

73. The Revenue's contention that the offer of peak credit of Rs.2,72,39,040/- made during the post-search proceedings constituted an admission that the entire cash receipts represented undisclosed income is also devoid of merit insofar as the present assessee is concerned. The explanation on record indicates that the offer was made on an aggregate basis in relation to transactions of different group concerns and assessment years, owing to the practical difficulties expressed in reconciling every entry in the Excel

file. The offer did not constitute an unequivocal admission that the gross receipts aggregating to Rs.13,51,22,303/- represented the individual income of Shri Shanmugham Thiagarajan. Nor did it amount to an admission that every credit entry constituted a distinct item of income, irrespective of corresponding withdrawals, payments or circulating funds. Whether the peak credit computation was correctly prepared, whether it was adequately supported by evidence and in whose hands any amount was ultimately assessable are separate questions requiring factual examination. The AO was entitled to reject the peak credit computation if it was not substantiated; however, such rejection did not authorise him to assess the entire gross receipts in the hands of a person whose beneficial ownership of the funds had not been established. We accordingly find that the ld. CIT(A) was justified in declining to treat the offer of peak credit as a sufficient basis for sustaining the impugned substantive additions.

74. We now turn to the Revenue's specific ground concerning the applicability of the statutory presumptions under Sections 132(4A) and 292C of the Act. Section 132(4A) provides for rebuttable presumptions concerning the ownership of books of account, documents, money, bullion, jewellery or other valuable articles or things found in the possession or control of a person during a search. It also provides for presumptions regarding the truth of the contents of such books and documents and the genuineness of signatures and handwriting appearing therein. Section 292C extends the statutory presumptions to proceedings under the Act, subject to the conditions prescribed therein. These provisions undoubtedly confer evidentiary advantages upon the Revenue and are intended

to facilitate the effective examination of material discovered during search proceedings. However, the presumptions are rebuttable and do not operate independently of the circumstances in which the material was found. Their applicability must be examined with reference to the person from whose possession or control the material was recovered, the nature of the document and the specific facts sought to be established.

75. In the present case, the Excel file was recovered from the computer used by an employee of M/s.IG3 Infra Limited at the company's business premises. Its maintenance by the said employee was expressly acknowledged in his statement recorded under Section 132(4) of the Act. In these circumstances, the statutory presumption concerning ownership of the document cannot, without further supporting evidence, be invoked to presume that the document belonged to Shri Shanmugham Thiagarajan or that every transaction recorded therein represented his personal income. The mere fact that the assessee was associated with the management of the group does not establish that the electronic record was recovered from his possession or control. Even where the presumption regarding the truth of the contents is attracted, it cannot be extended beyond its legitimate scope so as to create a further presumption that the amounts recorded therein were received and beneficially enjoyed by a person who is neither identified in the document nor shown to have possessed the corresponding funds. In substance, the Revenue seeks to convert a rebuttable evidentiary presumption concerning seized material into a conclusive presumption regarding the identity of the person

chargeable to tax. Such an extension is not warranted by the language or object of Sections 132(4A) and 292C of the Act.

76. We are also unable to accept the Revenue's contention that, once the Excel file was seized, the entire burden necessarily shifted to the assessee to establish that he had not received the amounts recorded therein. The statutory presumption must first be applied to the facts to which it legitimately relates. Where the document is found in the possession of a company and maintained by its employee, the Revenue cannot dispense with the requirement of establishing an independent connection between that document and another person against whom it seeks to rely upon it. The assessee cannot be required to prove the negative proposition that he did not receive each of the numerous amounts appearing in a document maintained by another person without the Revenue first identifying material reasonably connecting him with those receipts. The absence of such foundational evidence assumes particular significance where the assessment is sought to be made substantively in the hands of an individual rather than in the hands of the business entity to whose affairs the document relates. We therefore hold that the ld. CIT(A) did not disregard the statutory presumptions; rather, he correctly declined to extend their operation beyond the facts and persons to which they could lawfully apply.

77. The Revenue has specifically relied upon the judgment of the Hon'ble jurisdictional High Court in Smt. N.Saroja v. Assistant Commissioner of Income-tax, T.C.A. Nos.1395 to 1401 of 2009, dated 18.03.2026, in support of its contention that documents seized during a search carry statutory presumptions and that the

assessee bears the burden of rebutting those presumptions with supporting evidence. We have carefully considered the said judgment and the factual circumstances in which the Hon'ble High Court upheld the additions. In that case, the controversy concerned, inter alia, unexplained investment in immovable property and jewellery, with the Revenue relying upon loose sheets recovered during the search, statements and other surrounding evidence relating to the disputed investments. The Hon'ble High Court examined the evidentiary material in the context of the transactions in question and the explanations furnished by the concerned assessees. The decision recognises the statutory evidentiary force of seized documents and the need to examine whether the presumptions arising therefrom have been satisfactorily rebutted. We respectfully follow the legal principles enunciated by the Hon'ble jurisdictional High Court. However, the application of those principles to the facts of the present case does not lead to the conclusion urged by the Revenue.

78. The material distinction between the aforesaid decision and the present appeals lies in the absence of any established personal transaction or investment attributable to the assessee. In Smt. N. Saroja (supra), the seized material was examined alongside the surrounding evidence concerning identified transactions and assets, and the Hon'ble High Court found sufficient justification for sustaining the conclusions reached on the evidence. In the present case, the disputed electronic record was found at the business premises of a separate company, was maintained by its employee and related, on its face, to the business transactions of the company and its group concerns. No corresponding investment, asset,

personal expenditure or receipt has been identified in the hands of Shri Shanmugham Thiagarajan. Nor do the statements relied upon by the Revenue establish that he was the recipient or beneficial owner of the amounts recorded therein. The factual foundation necessary to attribute the disputed amounts to the assessee is, therefore, absent. We accordingly hold that the decision of the Hon'ble jurisdictional High Court does not support the Revenue's attempt to fasten substantive tax liability upon the assessee solely on the basis of the seized Excel file. The said decision is distinguishable on the material facts of the present case and does not warrant interference with the findings of the ld. CIT(A).

79. It is further relevant to observe that the statutory presumption regarding the truth of the contents of a seized document cannot be applied selectively by accepting only those portions that support an adverse inference while disregarding other portions that indicate a different character of the transactions. The Excel file admittedly contained entries relating to both receipts and payments, while the explanation furnished during the post-search proceedings referred to bank withdrawals, business transactions and movements of funds among different group concerns. The AO proceeded to aggregate the alleged cash receipts without first establishing that each entry constituted a separate item of income, that the receipts did not include previously accounted-for withdrawals or circulating funds, and that the amounts were ultimately attributable to the assessee. The inconsistencies in the running balances further necessitated verification before the entries could be treated as a complete and reliable record of cash movements. The presumption contemplated under Section 292C of the Act cannot be invoked to dispense with

such an enquiry or to convert the aggregate of disputed credit entries into taxable income in the hands of an individual without determining their actual nature and ownership. Viewed in this light, the findings of the ld. CIT(A) are consistent with the statutory scheme and do not suffer from the legal infirmity alleged by the Revenue.

80. The assessee has also relied upon the decision of the Hon'ble Supreme Court in Common Cause (A Registered Society) v. Union of India [2017] 394 ITR 220 (SC), wherein the Hon'ble Supreme Court considered the evidentiary value of loose papers and entries not forming part of regularly maintained books of account. Following the principles discussed in CBI v. V.C.Shukla (1998) 3 SCC 410, the Hon'ble Supreme Court emphasised the necessity of independent evidence before liability can be fastened upon a person on the basis of entries appearing in the accounts or records of another. The principle relevant to the present controversy is that the mere existence of an entry, even in a record capable of being considered as evidence, does not, by itself, establish the truth of the transaction or the liability of the person sought to be charged. We are conscious that these decisions arose in their respective statutory and factual contexts and do not render the presumptions under Sections 132(4A) and 292C of the Act inoperative. Nevertheless, the need to examine the reliability of the entries and the nexus between the recorded transactions and the person sought to be charged remains relevant. Applying this principle to the present case, we find that the seized Excel file, unsupported by evidence of personal receipt or appropriation by the assessee, does not constitute a sufficient basis for sustaining the impugned substantive additions.

81. The Revenue has also challenged the order of the ld.CIT(A) on the ground that the sworn statements recorded during the search were sufficient to justify the additions and that the ld. CIT(A) failed to appreciate the decision of the Hon'ble Supreme Court in B. Kishore Kumar v. Deputy Commissioner of Income-tax, reported in [2015] 62 taxmann.com 215 (SC) / [2015] 234 Taxman 771 (SC). We have considered the proposition for which the said decision has been relied upon. There can be no dispute that a voluntary statement made on oath under Section 132(4) of the Act constitutes relevant evidence and that a clear and unequivocal admission concerning undisclosed income may, in appropriate circumstances, furnish a valid basis for assessment. Equally, an admission cannot be discarded merely because the person making it subsequently offers a contrary explanation. However, the evidentiary effect of an admission necessarily depends upon its contents, the identity of the person making it, the facts admitted and the circumstances in which it is sought to be relied upon. A statement admitting a transaction involving one person or entity cannot automatically be treated as an admission of undisclosed income belonging to another person.

82. In the present case, neither Shri Ramamoorthi nor Smt. Rukmini Thiagarajan made any categorical admission that the disputed amounts represented the personal income of the assessee. Shri Ramamoorthi acknowledged maintaining the Excel file and referred to cash transactions undertaken under the instructions of the Managing Director. Smt. Rukmini Thiagarajan acknowledged certain cash receipts against expenditure booked in the accounts but also stated that a substantial portion of the cash was utilised for the company's business purposes. The subsequent reference to

transactions undertaken under the assessee's directions was made in the context of the business affairs of the group concerns. Thus, the statements do not contain the essential admission sought to be inferred by the Revenue, namely, that Shri Shanmugham Thiagarajan received or appropriated the amounts for his personal benefit. The decision in B. Kishore Kumar (supra), concerning the evidentiary effect of an admission made during a search, cannot be extended to create an admission that is not contained in the statements themselves. The Revenue's reliance upon the said decision is, therefore, misplaced on the facts of the present appeals.

83. We consider it appropriate to reiterate that a statement recorded under Section 132(4) of the Act must be appreciated as a whole and cannot be dissected so as to attribute to its maker a conclusion that the statement, fairly read, does not support. Where a statement contains both an acknowledgment of certain transactions and an explanation regarding their purpose and utilisation, the AO is entitled to test the explanation against the surrounding evidence. However, the AO cannot disregard the explanatory portion without examining its correctness and simultaneously treat the acknowledgment as conclusive evidence of a materially different allegation. In the present case, the acknowledgment concerned cash transactions relating to the business of M/s. IG3 Infra Limited, whereas the conclusion drawn by the AO concerned undisclosed personal income in the hands of Shri Shanmugham Thiagarajan. The transition from the former to the latter required independent evidence establishing the diversion or beneficial enjoyment of the funds by the assessee. No such evidence has been brought on record. Consequently,

notwithstanding their evidentiary relevance, the statements relied upon by the Revenue do not sustain the additions made in the assessee's hands.

84. We now advert to another significant circumstance noticed by the ld.CIT(A), namely, the simultaneous making of substantive additions in the hands of Shri Shanmugham Thiagarajan and corresponding protective additions in the hands of M/s.IG3 Infra Limited. It is well settled that, where genuine uncertainty exists regarding the person in whose hands a particular income is assessable, the Revenue may, subject to the applicable legal requirements, resort to substantive and protective assessments to safeguard its interests. The mere making of a protective assessment does not, by itself, render the corresponding substantive assessment invalid. However, the permissibility of adopting such a course does not dispense with the requirement of establishing, on the basis of the available evidence, the liability of the person in whose hands the addition is ultimately sought to be sustained. The substantive assessment must stand or fall on its own factual and legal foundation. The Revenue cannot rely upon the protective assessment as evidence establishing the correctness of the substantive addition.

85. In the instant case, the AO made substantive additions of Rs.3,69,77,575/- and Rs.9,14,90,284/- in the hands of the assessee for the assessment years 2019-20 and 2020-21, respectively, while making corresponding protective additions of identical amounts in the hands of M/s.IG3 Infra Limited. The transactions were admittedly recorded in a file maintained by an employee of the company, and the alleged cash-back arrangements were stated to

have arisen from expenditure booked in its accounts. In these circumstances, the AO was required to establish why the amounts allegedly arising from such business transactions should be treated as income belonging to the assessee individually rather than to the entity whose business affairs gave rise to the transactions. No convincing explanation or supporting evidence has been brought on record to justify such attribution. The ld.CIT(A) was, therefore, justified in treating the simultaneous substantive and protective assessments as a relevant circumstance demonstrating that the question of ownership remained unresolved, though not as an independent ground automatically invalidating the substantive assessment. The decisive consideration remains the AO's failure to establish the assessee's personal entitlement to or beneficial enjoyment of the disputed amounts.

86. We further find that the conclusion of the ld. CIT(A) does not amount to a determination that the transactions recorded in the seized Excel file were necessarily genuine, fully accounted for or incapable of examination under the provisions of the Act. Insofar as the present assessee is concerned, the ld.CIT(A) confined his findings to the absence of sufficient evidence establishing that the amounts represented his undisclosed personal income. Whether any expenditure claimed by M/s.IG3 Infra Limited was genuine, whether any amounts were received back from vendors, and whether any income or disallowance arose in the hands of the company or other group concerns are distinct questions that must be determined with reference to the relevant assessment records and the evidence attributable to those entities. Such questions cannot be conclusively determined against the present assessee merely because he was

associated with the affairs of the group. The deletion of the substantive additions in his hands, therefore, does not confer immunity upon other persons or entities in respect of transactions lawfully assessable in their hands. It merely recognises the fundamental requirement that income must be assessed in the hands of the person to whom it legally and factually belongs.

We have also examined the Revenue's general allegation that the ld. CIT(A) failed to appreciate the facts of the case and the evidence gathered during the search. We find this allegation to be without merit. The ld. CIT(A) examined the source and nature of the seized electronic record, the circumstances of its recovery, the statements of the persons connected with its maintenance, the explanations furnished during the post-search proceedings, the absence of corresponding assets or investments in the hands of the assessee, and the deficiencies in the evidence relied upon by the AO. The ld. CIT(A) also considered the legal implications of using material recovered from the premises of a company to make substantive additions in the hands of an individual. The conclusion reached is thus founded upon a cumulative appreciation of the relevant circumstances and not upon the isolated rejection of any single piece of evidence. The Revenue has not identified any specific transaction or document overlooked by the ld. CIT(A) that establishes that the assessee personally received the disputed amounts. Nor has it demonstrated that the findings recorded by the ld. CIT(A) are contrary to the material available on record. The general grounds alleging erroneous appreciation of facts and law, therefore, do not merit acceptance.

87. The contention that the seized material constituted incriminating evidence also does not advance the Revenue's case. In the context of search assessments, material described as incriminating must have a bearing upon the determination of undisclosed income or other relevant tax consequences in the case of the person against whom it is relied upon. Material that may be incriminating in relation to the affairs of one person does not necessarily have the same effect in the case of every other person connected with that person. The material must bear a reasonable nexus to the assessee and the income sought to be assessed. In the present case, the Excel file may have furnished grounds for investigating the business transactions of M/s.IG3 Infra Limited and the concerned group entities. Nevertheless, the Revenue has failed to demonstrate how the entries therein establish undisclosed income in the individual hands of Shri Shanmugham Thiagarajan. Merely characterising the seized file as incriminating material cannot substitute for proof of the requisite nexus. We, therefore, reject the Revenue's contention that the ld.CIT(A) erred in deleting the additions notwithstanding the recovery of the electronic records during the search.

88. We are equally unable to accept the Revenue's argument that the assessee's failure to furnish a complete transaction-wise reconciliation necessarily justified the assessment of the entire disputed amounts in his hands. A deficiency in the explanation furnished by an assessee may justify an adverse inference where the foundational facts required for invoking the relevant charging or deeming provision have otherwise been established. Such a deficiency cannot, however, be used to dispense with proof of those foundational facts. The Excel file was maintained by an employee of

M/s.IG3 Infra Limited and concerned transactions involving several persons and group entities. The obligation to explain particular entries must, therefore, be considered in the context of the person to whom those entries are shown to relate. In the absence of material establishing that the receipts belonged to Shri Shanmugham Thiagarajan, the failure to reconcile every entry in a company's internal worksheet cannot, by itself, justify the assessment of the gross receipts as his personal income. We find that the AO effectively substituted the absence of a complete explanation for positive evidence of ownership, which is not legally sustainable.

89. We further observe that the quantification adopted by the AO suffers from a conceptual deficiency insofar as the additions in the hands of the present assessee are concerned. The amounts of Rs.3,69,77,575/- and Rs.9,14,90,284/- represent the aggregate cash receipts attributed to the respective financial years on the basis of the Excel file. The AO has not established that these gross receipts constituted separate and independent items of income accruing to the assessee. There is no finding, supported by identifiable evidence, that the amounts were received by him from the alleged vendors, represented consideration for any transaction undertaken by him, or were diverted from the company to him. The assessment proceeds directly from the aggregate of entries in the electronic record to the conclusion that an equivalent amount constituted income from other sources in the assessee's hands. Such an approach overlooks the necessity of identifying the taxable event and the person in whose hands the corresponding income arose. In our considered view, the impugned additions are

unsustainable not merely because of deficiencies in corroboration, but also because the fundamental basis for treating the aggregate receipts as income chargeable to tax in the hands of the assessee has not been established.

90. The principle that suspicion, however strong, cannot take the place of proof is particularly apposite in the present circumstances. The AO was undoubtedly justified in examining the seized electronic records, investigating the alleged cash-back transactions and questioning the persons connected with the financial affairs of the group. However, the power to investigate and the power to assess must be exercised on the basis of evidence relevant to the particular assessee. The Revenue's suspicion that the assessee, being a senior member of the group and formerly associated with its management, might have exercised influence over the transactions cannot, without corroboration, establish that the alleged cash receipts constituted his undisclosed income. An assessment under the Act must rest upon reasonable and legally sustainable inferences drawn from proved or properly presumed facts, rather than upon a chain of assumptions concerning ownership and beneficial enjoyment. We find that the ld. CIT(A) correctly applied this principle in examining the impugned substantive additions.

91. Having considered the grounds raised by the Revenue in their entirety, we find that the objections concerning the deletion of additions based on the seized material, the alleged failure to appreciate the statements recorded under Section 132(4) of the Act, and the application of the statutory presumptions under Sections 132(4A) and 292C of the Act proceed on a common assumption: that the discovery of the Excel file and the acknowledgment of

certain cash transactions necessarily establish undisclosed income in the hands of the assessee. As discussed hereinabove, that assumption is not supported by the material available on record. The evidentiary relevance of the seized records and statements has not been denied; what remains unestablished is their sufficiency to prove the particular liability sought to be imposed upon Shri Shanmugham Thiagarajan. The decisions of the Hon'ble Supreme Court in B.Kishore Kumar (supra) and the Hon'ble jurisdictional High Court in Smt.N.Saroja (supra) do not dispense with the necessity of examining the person to whom the material relates, the actual contents of the statements and the surrounding circumstances. Consequently, the Revenue's grounds founded upon those decisions do not establish any legal infirmity in the ultimate conclusion reached by the ld.CIT(A).

92. We also find that the ld.CIT(A) correctly appreciated the distinction between the existence of unaccounted cash transactions and the determination of the person in whose hands the corresponding income, if any, is assessable. The AO's conclusion that certain expenditure was booked in the accounts of M/s. IG3 Infra Limited and that the amounts were subsequently received back in cash does not, by itself, justify an addition in the hands of the present assessee. The Revenue was required to establish an identifiable connection between the alleged cash receipts and the assessee's personal income. In the absence of such evidence, the substantive additions could not be sustained merely by referring to the assessee's former position in the company, the directions allegedly issued by him in connection with the business affairs of the group, or the inability of the concerned persons to reconcile every

entry in the seized electronic record. In our considered opinion, the ld. CIT(A) rightly declined to attribute to the assessee income that had not been demonstrated to have accrued to, been received by or been beneficially enjoyed by him.

93. We further hold that the findings of the ld. CIT(A) are supported by the cumulative effect of the material circumstances on record. The impugned Excel file was recovered from the premises of a separate corporate entity and was maintained by its employee; the entries did not identify the assessee as the recipient or beneficiary of the disputed amounts; the sworn statements contained no unequivocal admission that the amounts represented the assessee's undisclosed personal income; no corresponding unexplained cash, investment, asset or expenditure attributable to him was discovered; the electronic record contained material inconsistencies requiring independent verification; and the AO failed to establish a reliable transaction trail connecting the alleged receipts with the assessee. These circumstances, considered cumulatively, provide a sound factual basis for the conclusion reached by the ld. CIT(A). The Revenue has not brought to our notice any material warranting a contrary finding.

94. Insofar as the Revenue's prayer for restoration of the assessment orders is concerned, we find that no interference is warranted. The AO's conclusion rests upon an inference of personal ownership that has not been established by the evidence relied upon in the assessment proceedings. The ld.CIT(A), in the exercise of appellate jurisdiction, examined the material and recorded reasons for rejecting that inference. The Revenue has neither demonstrated that the ld. CIT(A) overlooked any decisive evidence nor established

that his findings rest upon an erroneous interpretation of the statutory provisions. The mere possibility of drawing a suspicion from the surrounding circumstances cannot justify the restoration of additions that lack the necessary factual foundation. We, therefore, decline to accede to the Revenue's prayer for setting aside the appellate orders and restoring the assessments.

95. In view of the foregoing discussion and upon an overall appreciation of the facts and circumstances of the case, we are of the considered opinion that the ld.CIT(A) was justified in deleting the substantive additions of Rs.3,69,77,575/- and Rs.9,14,90,284/- made by the AO for the assessment years 2019-20 and 2020-21, respectively. The conclusions reached by the ld.CIT(A) are founded upon a proper appreciation of the evidentiary material and the legal requirements governing the attribution and assessment of income. The Revenue has failed to demonstrate any material factual error, legal infirmity or perversity in the findings recorded by the ld.CIT(A) that would warrant our interference in the exercise of appellate jurisdiction. We accordingly uphold the findings and conclusions of the ld.CIT(A) deleting the impugned substantive additions in their entirety.

Consequently, the grounds raised by the Revenue challenging the deletion of the additions on the basis of the seized material, the evidentiary value of the statements recorded under Section 132(4) of the Act, the applicability of the statutory presumptions under Sections 132(4A) and 292C of the Act, and the judicial pronouncements relied upon by the Revenue are dismissed. The general grounds alleging that the appellate orders are erroneous on facts and in law, as well as the consequential prayer for restoration

of the assessment orders, are also dismissed. The residuary ground seeking liberty to raise additional or amended grounds does not call for separate adjudication, as no further ground has been shown to have been admitted for consideration.

Accordingly, we uphold the orders of the ld.CIT(A) dated 20.02.2026 deleting the substantive additions made in the hands of Shri Shanmugham Thiagarajan for the assessment years 2019-20 and 2020-21. Thus, the appeals preferred by the Revenue in ITA Nos.2575 and 2576/Chny/2026 are dismissed.

ITA Nos. 2577 & 2578/Chny/2026 - M/s. IG3 Infra Limited :

96. We shall now proceed to adjudicate the appeals preferred by the Revenue in ITA Nos.2577 & 2578/Chny/2026, pertaining to the assessment years 2019-20 and 2020-21, respectively, in the case of M/s.IG3 Infra Limited. In these appeals, the Revenue has challenged the correctness and legality of the common appellate order passed by the ld.CIT(A), whereby the additions originally made by the Assessing Officer (AO) on a protective basis were treated as substantive additions in the hands of the assessee, while restricting the quantum of such additions to 25% of the amounts originally brought to tax and directing deletion of the balance 75%.

97. At the outset, we may observe that the factual matrix of the case, the circumstances leading to the impugned additions, and the relevant background giving rise to the present controversy have already been elaborately discussed in the preceding paragraphs of this order. We, therefore, consider it neither necessary nor expedient to recapitulate the same, as doing so would merely result

in an avoidable repetition of facts. Accordingly, we shall confine our consideration to the submissions advanced by the assessee before the ld. CIT(A), the findings recorded and the reasoning adopted by the ld. CIT(A) in granting the impugned relief, and the specific grievances raised by the Revenue against such findings.

98. Before the ld.CIT(A), the assessee contended that the seized Excel sheet was merely an internal working document maintained by an employee and did not constitute the regular books of account of the assessee. It was submitted that the entries therein were haphazard and suffered from several fundamental defects, including negative cash balances, arithmetical inconsistencies, incorrect carry-forward of balances, and discontinuities in the recording of transactions. In particular, the assessee drew attention to the negative balance of Rs.20,000 appearing on 08.03.2018 and the absence of closing balances for the period from June 2018 to February 2019. According to the assessee, these discrepancies materially impaired the reliability of the Excel sheet and rendered it incapable of forming the sole basis for determining its taxable income.

99. The assessee further contended before the ld.CIT(A) that the AO had erroneously relied upon the alleged closing cash balance of Rs.70,50,484 reflected in the Excel sheet by seeking to correlate it with the physical cash found during the search. It was submitted that, in view of the inconsistencies and discontinuities in the entries, the alleged closing balance could not be regarded as arithmetically reliable. The assessee questioned the correctness of the said figure and contended that any apparent correspondence between the figure reflected in the Excel sheet and the physical cash found

during the search could not, by itself, constitute independent corroborative evidence establishing the nature or taxability of the transactions recorded therein.

100. It was further submitted before the ld. CIT(A) that the AO had not afforded the assessee an effective opportunity to explain the precise additions ultimately made. Although a general notice under section 142(1) of the Act, dated 02.02.2022, had been issued seeking explanations on various matters, including the seized Excel sheet, no specific show-cause notice proposing the impugned additions had been issued. The assessee contended that it had neither been apprised of the precise adverse inference proposed to be drawn nor informed of the statutory provision under which the amounts were sought to be assessed. It was, therefore, argued that the additions had been made without affording an adequate opportunity to rebut the proposed additions, thereby violating the principles of natural justice.

101. The assessee further submitted that explanations had already been furnished during the search and post-search proceedings by Smt.Rukmini Thiagarajan and in the proceedings relating to Shri S.Thiagarajan, clarifying that the cash receipts reflected in the Excel sheet substantially represented withdrawals from bank accounts and that the corresponding payments had been incurred towards the business activities of the group concerns. According to the assessee, the Excel sheet merely recorded operational cash movements and did not represent undisclosed income. It was contended that the AO had neither effectively rebutted these explanations nor brought any independent material on record to establish that the cash had been utilised for unexplained or non-business purposes.

102. The assessee also contended that the AO had failed to identify even a single item of expenditure claimed by the assessee that was bogus, inflated, or otherwise inadmissible. No specific voucher, bill, ledger account, or expenditure head had been examined and found to be non-genuine. Further, the books of account had neither been rejected nor had any defect therein been established so as to warrant the impugned additions. It was, therefore, argued that the additions were ad hoc in nature and rested on conjectures and surmises rather than on any identifiable taxable transaction.

103. In support of the aforesaid contentions, the assessee placed reliance before the ld.CIT(A) on the judgments of the Hon'ble Supreme Court in Common Cause (A Registered Society) v. Union of India [2017] 394 ITR 220 (SC) and CBI v. V.C. Shukla (1998) 3 SCC 410, for the proposition that loose sheets and informal records, which do not form part of regularly maintained books of account, cannot, by themselves and in the absence of independent corroborative evidence, conclusively establish liability.

104. The assessee further relied upon the decision of the Hon'ble Karnataka High Court in DCIT v. Sunil Kumar Sharma [2024] 159 taxmann.com 179 / 469 ITR 197 (Kar.), wherein the evidentiary value of loose sheets and diary entries in income-tax proceedings was considered. It was submitted that the Hon'ble High Court had held that entries in loose sheets, which were not shown to form part of regularly maintained books of account and were unsupported by independent corroborative material, could not constitute sufficient evidence for making additions. The assessee also drew attention to the dismissal of the Revenue's Special Leave Petition by the Hon'ble Supreme Court, vide order dated 27.10.2025, reported in 180

taxmann.com 293, and contended that the principle emerging from the aforesaid decision supported its case.

105. Applying the aforesaid judicial principles to the facts of the present case, the assessee submitted that the AO had not brought on record any independent evidence, such as a cash trail, bank transactions, unexplained assets, third-party confirmations, or other corroborative material, establishing a nexus between the disputed entries and any undisclosed income of the assessee. It was, therefore, contended that an addition could not be sustained merely on the basis of figures appearing in an informal electronic working sheet recovered during the search.

106. The assessee also assailed the protective nature of the additions before the ld. CIT(A). It was submitted that the very same amounts had been assessed substantively in the hands of another person and protectively in the hands of the assessee-company, without adequate reasons being recorded to establish why the alleged income was attributable to the assessee. According to the assessee, the AO had failed to establish either the nature of the alleged income or its ownership and had not explained the necessity for making protective additions, particularly when the relevant assessments had been completed on the same date. It was contended that this approach reflected the uncertainty surrounding the alleged transactions and the absence of cogent material linking the amounts to the assessee.

107. In view of the aforesaid submissions, the assessee contended before the ld. CIT(A) that the impugned protective additions rested entirely upon an unreliable Excel working sheet unsupported by independent corroborative evidence. It was submitted that neither

any undisclosed receipt nor any bogus or inadmissible expenditure had been established and that the additions were, therefore, unsustainable both onfacts and in law.

108. The ld.CIT(A), after considering the submissions advanced by the assessee, passed a common appellate order dated 20.02.2026, whereby the additions originally made by the AO on a protective basis were treated as substantive additions in the hands of the assessee. However, the ld.CIT(A) restricted the additions to 25% of the amounts originally assessed and directed deletion of the balance 75%. The material findings recorded and the reasoning adopted by the ld.CIT(A) in arriving at the aforesaid conclusion are discussed hereunder.

109. Upon examining the seized material, the assessment orders, and the submissions of the assessee, the ld.CIT(A) observed that the seized Excel sheet could not be regarded as a regular or statutory book of account maintained by the assessee in the ordinary course of business. The ld.CIT(A) specifically noticed several inherent defects in the said electronic record, including negative cash balances, the absence of a systematic carry-forward of opening and closing balances, discontinuities in the entries, and arithmetical inconsistencies. It was, accordingly, held that these deficiencies materially impaired the reliability of the seized Excel sheet as a complete and accurate record of actual cash transactions.

110. The ld.CIT(A) further observed that the AO had neither rejected the regularly maintained books of account of the assessee under section 145 of the Act nor recorded any finding that such books were incorrect or incomplete. It was also noticed that the AO had not identified any specific expenditure debited to the profit and

loss account as bogus or inflated, nor had any such expenditure been disallowed on the basis of independent verification. Consequently, the allegation that the assessee had inflated its expenditure and received cash back from vendors remained unsubstantiated by direct or independent corroborative evidence.

111. At the same time, the ld.CIT(A) took note of the fact that the Excel sheet had been seized during the course of a search and contained repeated entries relating to substantial cash transactions spread over several financial years. The ld.CIT(A) also noticed that the physical cash found during the search broadly corresponded with certain cash balances reflected in the seized Excel sheet and that the statements recorded from certain employees indicated the existence of cash transactions outside the regular books of account. However, the ld.CIT(A) observed that these surrounding circumstances, in the absence of specific corroboration and a demonstrable linkage with identifiable transactions, were insufficient to establish that the entire amount reflected in the Excel sheet constituted undisclosed income of the assessee.

112. The ld. CIT(A), therefore, concluded that the seized Excel sheet could neither be accepted in its entirety as a reliable computation of undisclosed income nor be discarded altogether as devoid of evidentiary value. It was held that the evidentiary worth of such material had to be assessed cautiously, having regard to its inherent inconsistencies, incomplete nature, and the absence of independent corroboration.

113. The ld.CIT(A) further held that the AO was not justified in treating the gross cash receipts reflected in the Excel sheet as undisclosed income in their entirety. It was specifically observed

that the seized data did not clearly distinguish between cash receipts, cash payments, temporary cash movements, and recycled cash. Consequently, there was no material to establish that the entire gross receipts represented the net undisclosed income of the assessee. The ld. CIT(A) was of the view that bringing the entire gross amounts to tax without establishing the corresponding cash trail or identifying any specific inflated expenditure would result in an artificial and excessive determination of taxable income.

114. Having regard to the totality of the facts and circumstances, the ld. CIT(A) held that only the unaccounted income element, if any, embedded in the transactions reflected in the seized Excel sheet could reasonably be brought to tax, and not the entire gross cash receipts. Accordingly, the ld. CIT(A) considered it appropriate to estimate such income rather than mechanically adopt the figures appearing in the seized document. On this reasoning, and with a view to doing substantial justice, the ld. CIT(A) restricted the additions to 25% of the amounts determined by the AO for the respective assessment years and directed deletion of the balance 75%. The ld. CIT(A) also treated the additions originally made by the AO on a protective basis as substantive additions in the hands of the assessee. The year-wise additions sustained and relief granted by the ld. CIT(A) are tabulated below:

Asst. year	**Addition made by the AO (Rs.)**	**CIT(A) sustained at 25% (Rs.)**	**Relief granted at 75% (Rs.)**
2019-20	3,69,77,575	92,44,394	2,77,33,181
2020-21	9,14,90,284	2,28,72,571	6,86,17,713

115. Thus, while recognising that the seized material possessed evidentiary relevance, the ld.CIT(A) held that the AO had failed to establish that the entire cash receipts represented undisclosed income of the assessee. Accordingly, the ld.CIT(A) deleted 75% of the additions and sustained the balance 25% on an estimated basis. The grounds raised by the assessee were, therefore, partly allowed.

116. Aggrieved by the relief granted by the ld. CIT(A), the Revenue is in appeal before this Tribunal.

117. The ld.DR, appearing on behalf of the Revenue, vehemently supported the assessment orders passed by the AO and reiterated the grounds raised in the present appeals. The ld.DR submitted that the ld.CIT(A) had erred in restricting the additions to 25% of the amounts determined by the AO instead of sustaining the additions in their entirety. It was contended that the entire receipts reflected in the Excel sheet recovered during the search represented the undisclosed income of the assessee and that there was, therefore, no justification for restricting the additions to 25% thereof.

The ld.DR further submitted that the search proceedings had revealed that the assessee-company was indulging in the practice of booking bogus expenditure in its books of account and receiving corresponding amounts in cash. According to the ld. DR, the AO, having duly appreciated the incriminating material unearthed during the search, was justified in disallowing the entire expenditure claimed by the assessee. It was further contended that the ld. CIT(A), without any cogent basis or legally sustainable reasoning, had arbitrarily restricted the additions to 25%, notwithstanding the adverse findings recorded by the AO. The ld. DR, accordingly, submitted that the impugned order of the ld. CIT(A), to the extent

that it granted relief to the assessee, was unsustainable in law and on facts. He, therefore, prayed that the order of the ld. CIT(A) be set aside, the assessment orders passed by the AO be restored, and the appeals preferred by the Revenue be allowed.

118. Per contra, the ld.AR appearing on behalf of the assessee, strongly supported the order of the ld. CIT(A) and submitted that, after duly appreciating the facts and circumstances of the case and the material available on record, the ld. CIT(A) had adopted a reasonable and plausible view. It was contended that the findings recorded by the ld. CIT(A) were neither arbitrary nor perverse so as to warrant interference by this Tribunal.

119. Drawing our attention to the seized Excel sheets, the ld. AR submitted that the entries recorded therein comprised not only the alleged cash receipts from vendors but also cash withdrawals from the bank accounts of various entities belonging to the assessee's group. According to the ld. AR, the inference drawn by the AO that the entire cash inflows reflected in the seized Excel sheets represented unaccounted cash receipts from vendors attributable exclusively to the assessee-company was factually incorrect and wholly unjustified.

The ld. AR further submitted that, during the post-search proceedings, the assessee had categorically explained that the cash inflows recorded in the Excel sheets pertained to several group concerns and could not be attributed exclusively to the assessee-company. However, without properly appreciating the explanations furnished by the assessee or undertaking any independent verification, the AO proceeded to attribute the entire cash inflows to the assessee-company.

120. The ld. AR further contended that the AO had failed to bring on record any cogent or corroborative evidence establishing that the entire cash receipts recorded in the seized Excel sheets represented undisclosed income of the assessee-company. It was submitted that mere entries in the seized Excel sheets, without establishing their nexus with the assessee-company and ascertaining the actual nature and source of the receipts, could not justify the addition of the entire amount in its hands.

The ld.AR emphasised that the AO had neither undertaken an entity-wise reconciliation of the cash inflows nor distinguished withdrawals from disclosed bank accounts from the alleged unaccounted receipts. Consequently, the assumption that the entire cash inflows constituted undisclosed income of the assessee-company was fundamentally flawed.

121. With regard to the disallowance of expenditure, the ld. AR submitted that the AO had failed to examine whether the expenditure reflected in the seized Excel sheets had actually been debited to the profit and loss account of the assessee-company. It was contended that, unless it was first established that the expenditure in question had been claimed as a deduction by the assessee-company while computing its taxable income, the question of disallowing such expenditure in its hands would not arise.

The ld. AR further submitted that the AO, without undertaking this essential exercise and without identifying the expenditure attributable to the assessee-company, had proceeded to make the disallowance merely on the basis of entries appearing in the seized Excel sheets. Such an approach, according to the ld. AR, was arbitrary and unsustainable in law.

122. The ld. AR further submitted that the statements recorded during the search and subsequent proceedings, when read in their entirety, indicated that the expenditure in question had ultimately been incurred for business purposes. It was, therefore, contended that the AO was not justified in treating the entire expenditure as inadmissible without examining its nature, purpose, and actual treatment in the books of account of the respective group concerns. The ld.AR also submitted that the AO had not recorded any finding regarding a corresponding unexplained investment or application of unaccounted funds by the assessee-company so as to substantiate the allegation that the entire cash inflows represented its undisclosed income. In the absence of such a finding or any independent corroborative material, the attribution of the entire alleged cash receipts to the assessee-company was wholly unwarranted.

123. The ld. AR further submitted that the seized Excel sheets contained several inconsistencies and entries pertaining to different group concerns and that the AO had failed to establish the precise quantum of expenditure, if any, liable for disallowance in the hands of the assessee-company. In these circumstances, the ld. AR contended that the ld. CIT(A), having regard to the totality of the facts and circumstances, had reasonably resorted to estimation and restricted the disallowance to 25% of the expenditure in question.

According to the ld. AR, the estimate adopted by the ld. CIT(A) represented a fair and reasonable approach, particularly when the AO had not brought any material on record to establish that the entire expenditure was fictitious or inadmissible. It was further contended that, in the absence of any specific infirmity in the

reasoning adopted by the ld. CIT(A), the Revenue was not justified in seeking to substitute the reasonable estimate sustained by the ld. CIT(A) with the entire disallowance originally made by the AO.

124. The ld. AR further pointed out that, during the course of the assessment proceedings, the peak credit had been worked out at Rs.2.72 crores, whereas the addition ultimately sustained by the ld.CIT(A) was substantially higher than the said amount. According to the ld.AR, the relief granted by the ld. CIT(A) could not, therefore, be regarded as excessive or unreasonable, particularly when the addition sustained was itself higher than the peak credit considered during the assessment proceedings. The ld. AR accordingly submitted that the order of the ld. CIT(A) adequately safeguarded the interests of the Revenue and did not warrant any further interference.

125. The ld.AR, accordingly, submitted that the ld. CIT(A), after considering the seized material, the explanations furnished by the assessee, the statements recorded during the search proceedings, and the deficiencies in the approach adopted by the AO, had arrived at a fair and reasonable conclusion. According to the ld.AR, the findings of the ld.CIT(A) were based on a proper appreciation of the material available on record and represented one of the plausible views emerging from the facts of the case. In the absence of any perversity, factual infirmity, or material brought on record by the Revenue to dislodge such findings, the impugned order did not warrant interference. The ld. AR, therefore, prayed that the order of the ld. CIT(A) be upheld and the appeals filed by the Revenue be dismissed.

126. We have heard the rival submissions advanced by the learned representatives of both sides, perused the orders of the authorities below, examined the material placed before us, and given our thoughtful consideration to the grounds raised by the Revenue in the respective appeals. We have also carefully considered the submissions advanced by the ld. AR in support of the impugned appellate order, particularly with regard to the nature and evidentiary value of the seized Excel sheets, the alleged cash receipts from vendors, the statements recorded during the course of search, the applicability of the statutory presumptions contemplated under sections 132(4A) and 292C of the Act, and the justification for bringing the entire gross cash receipts to tax in the hands of the assessee-company.

The principal issue arising for our adjudication is whether, in the facts and circumstances of the present case, the ld. CIT(A) was justified in restricting the additions made by the AO to 25% of the amounts originally assessed, or whether, as contended by the Revenue, the additions are liable to be restored in their entirety.

127. At the outset, we may observe that there is no dispute regarding the factum of the search conducted in the case of the IG3 Group on 03.11.2020, the seizure of electronic data containing the Excel file titled "others", the recovery of certain loose sheets, or the recording of statements from Shri R.Ramamoorthi and Smt.Rukmini Thiagarajan during the course of the search. It is equally undisputed that the seized Excel sheet contained entries relating to substantial cash receipts and payments spread over several financial years and that the physical cash found during the search was substantially higher than the cash balance reflected in the regular books of

account of the assessee-company. The controversy, however, does not rest merely upon the existence of such entries or the discovery of physical cash. The material question is whether the AO was justified in drawing the further inference that every cash receipt reflected in the seized Excel sheet represented undisclosed income arising from fictitious expenditure claimed by the assessee-company, without independently establishing the nature of the transactions, the identity of the person to whom such transactions pertained, and the corresponding expenditure, if any, claimed as a deduction while computing taxable income.

128. It is a well-settled principle that an assessment under the Income-tax Act must be founded upon a proper appreciation of the relevant material and the reasonable inferences legitimately arising therefrom. Although assessment proceedings are not governed by the strict rules of evidence applicable to ordinary civil or criminal proceedings, the conclusions drawn by the taxing authorities must nevertheless bear a rational nexus to the material brought on record. Suspicion, however strong, cannot, by itself, be elevated to proof of a particular taxable receipt or inadmissible expenditure. At the same time, material recovered during a search cannot be discarded merely because it is maintained in an informal or electronic form. Its evidentiary worth must be determined by examining its contents, reliability, surrounding circumstances, and corroboration. It is against this legal and factual backdrop that the impugned additions and the findings recorded by the ld. CIT(A) require examination.

129. Through Grounds Nos. 2 and 3, the Revenue has principally assailed the findings of the ld. CIT(A) on the ground that the seized Excel sheet titled "others" constituted incriminating material discovered during the search and that the ld. CIT(A) erred in holding that the entries contained therein did not sufficiently establish a nexus between the alleged unaccounted cash transactions and the assessee-company. According to the Revenue, once the Excel sheet had been recovered from the business premises of the assessee and contained particulars of cash receipts and payments, the AO was justified in treating the amounts reflected therein as undisclosed income.

We have carefully considered the aforesaid contention. In our considered opinion, the argument advanced by the Revenue proceeds on the assumption that the discovery of an incriminating document, by itself, conclusively establishes both the nature of the transactions recorded therein and their taxability in the hands of the person from whose premises the document was recovered. Such an assumption cannot be accepted without examining the contents of the document and their connection with the taxable income sought to be assessed.

130. There can be no quarrel with the proposition that the seized Excel sheet constitutes relevant material for assessment purposes. Indeed, the ld. CIT(A) has nowhere held that the seized Excel sheet was devoid of evidentiary value or that the transactions reflected therein were necessarily fictitious. On the contrary, after considering the seizure of the electronic records, the statements recorded during the search, and the physical cash found, the ld. CIT(A)

expressly recognised that the seized material disclosed the existence of cash transactions requiring examination.

What the ld. CIT(A) declined to accept was the further and materially distinct proposition that the aggregate of all cash inflows reflected in the seized material could automatically be treated as undisclosed income of the assessee-company. We find considerable merit in this distinction. The existence of a cash transaction and the determination of the taxable income arising therefrom are separate questions; an affirmative answer to the former does not, by itself, determine the latter.

131. We find from the material placed before us that the seized Excel sheet was maintained by Shri R. Ramamoorthi, Accounts Executive of the assessee-company, and was not shown to constitute part of the regular books of account maintained by the assessee in the ordinary course of business. More importantly, the ld.CIT(A) has recorded specific factual findings regarding the inherent deficiencies in the said electronic record. These include the appearance of a negative cash balance of Rs.20,000 on 08.03.2018, the absence of systematic opening and closing balances for substantial intervening periods, discontinuities in the recording of transactions, and arithmetical inconsistencies in the carry-forward of balances.

The Revenue has not demonstrated before us, with reference to any contemporaneous record or independently verified reconciliation, that these defects were factually nonexistent or had been satisfactorily explained. In these circumstances, the ld.CIT(A) was justified in approaching the seized Excel sheet with the caution warranted by its incomplete and internally inconsistent nature.

132. The ld.AR specifically submitted that the entries contained in the seized Excel sheet comprised a heterogeneous collection of transactions, including cash withdrawals from disclosed bank accounts, cash movements between group concerns, payments made in the ordinary course of business, and other receipts and payments. It was further contended that the seized Excel sheet did not constitute an exclusive record of cash received back from vendors against expenditure booked by the assessee-company.

We find that this explanation was not raised for the first time before the ld.CIT(A), but had also been advanced during the post-search proceedings through the written explanations dated 03.02.2021 furnished by Smt.Rukmini Thiagarajan and Shri Shanmugham Thiagarajan. The AO was, therefore, required to examine the explanation in the light of the seized entries and the available books of account and bank records, rather than reject it solely on the ground that it differed from the statements recorded during the search.

133. We are conscious of the fact that the assessee did not furnish a complete transaction-wise reconciliation of all the entries appearing in the seized Excel sheet. Such failure is undoubtedly a relevant circumstance in evaluating the explanation furnished by the assessee and precludes the assessee from contending that the seized material should be disregarded altogether. Nevertheless, the absence of a complete reconciliation cannot, by itself, justify the opposite extreme of treating every cash inflow appearing in the electronic record as taxable income.

The AO was still required to ascertain, at least on a reasonable and verifiable basis, whether the amounts represented fresh unaccounted receipts, transfers of funds, withdrawals from disclosed sources, or recycling of cash already brought into circulation. The impugned assessment orders do not disclose any satisfactory exercise undertaken in this regard.

134. We further find substance in the submission of the ld.AR that the seized Excel sheet admittedly related to the financial transactions of more than one entity belonging to the IG3 Group. The statements and post-search explanations relied upon by the AO themselves refer to the business activities of various group concerns and to cash transactions undertaken under the directions of Shri Shanmugham Thiagarajan.

In these circumstances, the mere fact that the electronic record was found in a computer located at the premises of M/s.IG3 Infra Limited cannot, without further examination, justify attributing every transaction recorded therein exclusively to the assessee-company. The AO has neither undertaken a satisfactory entity-wise segregation of the entries nor demonstrated that the amounts attributed to the assessee-company were actually received by it or represented expenditure claimed by it as a deduction.

135. We also find that the AO has placed considerable emphasis on the alleged correspondence between the closing balance of Rs.70,50,484 reflected in the seized Excel sheet and the physical cash of Rs.71,11,060 found during the search. In our opinion, such correspondence constitutes a relevant corroborative circumstance and cannot be brushed aside. However, the evidentiary significance

of this circumstance must be confined to what it reasonably establishes.

The proximity between the two figures may lend support to the inference that the Excel sheet recorded certain actual cash movements and that some cash transactions were not reflected in the regular books of account. It does not, however, establish that the entire cumulative cash receipts of Rs.13,51,22,303/- recorded over several financial years represented fresh undisclosed income, much less that every such receipt arose from bogus expenditure claimed by the assessee-company.

136. The distinction between a cash balance existing on a particular date and the aggregate of cash receipts recorded over several years is fundamental. A running cash account may record repeated receipts and payments involving the same funds. Accordingly, the aggregate of the receipts side of such an account cannot, without examining the corresponding payments and the possibility of circulation or recycling of funds, be equated with the total income generated during that period. The AO has not demonstrated that the cash receipts recorded in the Excel sheet represented independent accretions to income on each occasion, as opposed to repeated circulation or movement of funds. We, therefore, find no infirmity in the conclusion of the ld.CIT(A) that the correspondence between the physical cash and the closing balance reflected in the seized Excel sheet, though relevant, was insufficient to justify the addition of the entire gross cash receipts.

137. The reliance placed by the assessee on the decisions in Common Cause (A Registered Society) v. Union of India (2017) 394 ITR 220 (SC) and CBI v. V.C. Shukla (1998) AIR SC 410 also merits

consideration. These authorities emphasise the need for caution in attributing liability solely on the strength of informal entries and loose records that lack adequate corroboration.

We are mindful, however, that the evidentiary framework applicable to income-tax search proceedings must also be considered in the light of the specific presumptions enacted under sections 132(4A) and 292C of the Act. Consequently, the aforesaid decisions cannot be construed as laying down an absolute proposition that an Excel sheet or informal record recovered during a search is incapable of being relied upon for assessment purposes. Nevertheless, the broader principle that the entries must be examined for their reliability and their connection with the alleged taxable transactions remains relevant.

In the present case, the ld. CIT(A) has not rejected the seized material as inadmissible; rather, the ld. CIT(A) has declined to accept the unverified gross figures as a conclusive computation of undisclosed income. We find that such an approach reflects a balanced appreciation of the evidentiary material, having regard to the facts and circumstances of the case.

138. The decision of the Hon'ble Karnataka High Court in DCIT v. Sunil Kumar Sharma [2024] 159 taxmann.com 179 / 469 ITR 197 (Kar.), relied upon by the assessee, was also cited in support of the contention that loose sheets and informal records, unsupported by sufficient corroborative evidence, cannot automatically justify additions. The principle sought to be drawn from the said decision underscores the necessity of establishing a reliable connection between the entries and the income proposed to be assessed.

We clarify, however, that our conclusion in the present appeals does not rest on any absolute exclusion of the seized electronic material from consideration. Rather, it rests on the specific deficiencies identified by the ld. CIT(A), the absence of entity-wise and transaction-wise verification, and the failure of the AO to demonstrate that the gross cash receipts represented taxable income of the assessee-company.

139. Thus, upon an overall appreciation of the seized electronic material and the surrounding circumstances, we are unable to accept the Revenue's contention that the ld.CIT(A) disregarded incriminating evidence or erroneously held that the seized Excel sheet had no nexus whatsoever with the assessee. The ld.CIT(A) has recognised the evidentiary relevance of the material while correctly distinguishing such relevance from the question of quantification of taxable income.

In the absence of any material brought before us to dislodge the specific factual findings concerning the deficiencies in the seized Excel sheet and the absence of a satisfactory nexus between the entire amount added and the taxable income of the assessee-company, we find no justification for restoring the gross additions made by the AO. Accordingly, Grounds Nos. 2 and 3 raised by the Revenue are dismissed.

140. The next grievance raised by the Revenue, through Ground Nos.4 and 9, concerns the alleged failure of the ld.CIT(A) to accord due evidentiary weight to the statements recorded during the course of search u/s.132(4) of the Act. The Revenue contends that Shri R. Ramamoorthi, Accounts Executive, and Smt.Rukmini Thiagarajan, Managing Director of the assessee-company, had

admitted the existence of unaccounted cash receipts and payments and that the AO was, therefore, justified in relying upon such statements while making the impugned additions. In support of this contention, the Revenue has placed reliance on the decision in B.Kishore Kumar v. DCIT [2015] 62 taxmann.com 215 (SC) / 234 Taxman 771 (SC).

We have carefully examined the Revenue's contention, the statements referred to in the assessment orders, and the explanations furnished by the assessee during the post-search proceedings. The evidentiary value of the statements in question must be assessed in the context of their actual contents, the circumstances in which they were recorded, the explanations subsequently furnished, and the extent to which the statements are corroborated by the other material available on record. The mere existence of an admission regarding cash transactions does not dispense with the need to determine the nature of such transactions, the entity to which they pertain, and the extent, if any, to which they give rise to taxable income in the hands of the assessee-company.

141. There can be no dispute as to the legal position that a statement recorded on oath under section 132(4) of the Act constitutes relevant and admissible evidence in proceedings under the Act. The Legislature has expressly provided that such a statement may be used in evidence in any proceedings under the Act. An admission made by a person having knowledge of the relevant transactions is undoubtedly a material circumstance and may, depending upon its nature, contents and surrounding circumstances, constitute substantive evidence against the person

making it. We are, therefore, unable to subscribe to the proposition that a statement recorded under section 132(4) of the Act is devoid of evidentiary value or that an addition founded upon such a statement is invariably unsustainable in the absence of further corroboration. However, the evidentiary value of an admission and the precise factual proposition established thereby are distinct matters and must be examined with due regard to the contents of the statement and the surrounding circumstances.

142. In the present case, Shri R. Ramamoorthi, in his statement recorded on 06.11.2020, acknowledged that the seized documents were printouts of the Excel sheet maintained by him in the computer system and that the entries therein had been recorded pursuant to the instructions of Smt. Rukmini Thiagarajan. He also stated that the entries represented cash received from various parties and referred to the cash kept in the cupboard situated in the server room. These statements lend support to the authenticity of the electronic record as a document maintained by the employee and to the existence of cash transactions outside the regular accounting system. However, the statement, byitself, does not establish that every amount recorded in the Excel sheet constituted income of the assessee company or that the corresponding expenditure had been claimed by the assessee as a deduction and was fictitious. The admission regarding the maintenance of the record and the receipt of cash cannot be enlarged beyond its legitimate scope so as to establish the precise taxable character of each transaction without examining the relevant facts and circumstances.

143. We further notice that Smt. Rukmini Thiagarajan, in response to Question No. 81 of her statement recorded on 04.11.2020, acknowledged that cash had been received back against expenditure booked in the accounts. However, in the very same answer, she also stated that a substantial portion of the cash so received had been utilised for the business purposes of the company. The AO has placed considerable reliance upon the former part of the answer while rejecting the explanation contained in the latter part. In our considered opinion, such a selective appreciation of the statement is not justified. A statement recorded during the course of search must be read as a whole, and the explanation accompanying an admission cannot be disregarded merely because it does not support the inference sought to be drawn by the Revenue. While the admission regarding the receipt of cash back is undoubtedly an adverse circumstance for the assessee, the accompanying explanation regarding its utilisation for business purposes forms an integral part of the same statement and requires due examination.

144. We hasten to add that the mere assertion that the cash was subsequently utilised for business purposes does not, by itself, establish that the expenditure originally booked in the accounts was genuine or that such expenditure was allowable under the Act. If a particular expenditure is established to have been fictitiously booked and the corresponding amount received back in cash, the assessee cannot claim a deduction merely by asserting that the cash was subsequently spent for business purposes. Any such subsequent expenditure would independently have to satisfy the statutory conditions governing its allowability. Nevertheless, the difficulty confronting the Revenue in the present case is that the AO has not

identified the specific expenditure allegedly booked in the accounts of the assessee company, the amount received back against such expenditure, or the extent to which the cash was subsequently utilised for identifiable purposes. In the absence of this essential exercise, the statement cannot reasonably be treated as conclusive proof that the entire gross receipts reflected in the Excel sheet represented inadmissible expenditure or undisclosed income of the assessee company.

145. We also find that the post-search explanation dated 03.02.2021 furnished by Smt. Rukmini Thiagarajan was not confined to a bare denial of her earlier statement. It contained a specific explanation that the Excel sheet comprised different categories of transactions, including cash withdrawals from disclosed bank accounts, business-related cash movements, loans and transactions pertaining to different group concerns. A similar explanation was also furnished by Shri Shanmugham Thiagarajan. Although these explanations were not supported by a complete transaction-wise reconciliation, they raised specific factual issues requiring examination by the AO. The AO was entitled to reject these explanations if they were found to be false or unsupported by the available evidence. However, the rejection of such explanations did not dispense with the requirement of establishing the actual nature and quantum of the income proposed to be assessed.

146. The Revenue has specifically relied upon the judgment of the Hon'ble jurisdictional High Court of Madras in B. Kishore Kumar v. DCIT [2014] 52 taxmann.com 449 (Madras), against which the Special Leave Petitions were dismissed by the Hon'ble Supreme Court on 02.07.2015, as reported in [2015] 62 taxmann.com 215

(SC) / 234 Taxman 771 (SC). In that case, the assessee's own sworn admission concerning undisclosed income was held sufficient to sustain the addition in the factual circumstances considered by the Hon'ble High Court. The dismissal of the Special Leave Petitions by the Hon'ble Supreme Court left the judgment of the Hon'ble High Court undisturbed.

147. We respectfully accept the principle that a clear and unequivocal admission made during the course of search may constitute sufficient evidence for making an addition and that the Revenue is not invariably required to establish the admitted fact afresh through independent evidence. However, in our considered opinion, the aforesaid decision does not advance the case of the Revenue to the extent contended before us. The issue in the present appeals is not whether statements recorded under section 132(4) of the Act are admissible in evidence or whether admissions made therein can be relied upon. The material question is whether the statements, read in their entirety and in conjunction with the seized documents, establish that the entire cash receipts reflected in the Excel sheet constituted undisclosed income of the assessee company. The admission made by Smt. Rukmini Thiagarajan was accompanied by an explanation regarding the utilisation of cash for business purposes, while the subsequent explanations referred to transactions involving several group concerns. Moreover, the AO himself proceeded to assess the amounts substantively in the hands of Shri Shanmugham Thiagarajan and protectively in the hands of the assessee company, thereby indicating uncertainty regarding the person in whose hands the amounts were assessable. These

distinguishing circumstances cannot be overlooked while applying the principle laid down in B. Kishore Kumar.

148. We are of the considered view that the principle laid down in the aforesaid judgment cannot be extended to mean that whenever an assessee or its representative admits the existence of unaccounted cash transactions, the aggregate of all cash receipts appearing in an informal record must necessarily be assessed as undisclosed income without examining their nature, source, ownership and the possibility of duplication or recycling. An admission constitutes evidence of the facts admitted; it does not authorise the taxing authority to attribute to such admission a meaning or consequence that does not reasonably follow from its contents. In the present case, the ld. CIT(A) has not disregarded the admissions made during the course of search. On the contrary, the existence of such admissions was among the circumstances considered while sustaining a portion of the additions. We, therefore, find no merit in the contention that the ld. CIT(A) acted contrary to the principle recognised in B. Kishore Kumar. Accordingly, Grounds Nos. 4 and 9, insofar as they challenge the appreciation of the statements recorded under section 132(4) of the Act, are dismissed.

149. The Revenue, through Grounds Nos. 5 and 7, has contended that the ld. CIT(A) failed to appreciate the statutory presumptions available to the Revenue under sections 132(4A) and 292C of the Act. It is argued that, once the seized Excel sheet and other documents were found in the possession or control of the assessee during the course of search, a presumption arose regarding the ownership of such documents and the truthfulness of their contents,

and that the assessee had failed to rebut the same by producing satisfactory documentary evidence. The ld. DR has, therefore, submitted that the ld. CIT(A) was not justified in granting substantial relief to the assessee. We have carefully considered this contention in the light of the statutory provisions and the factual findings recorded by the authorities below.

150. Section 132(4A) of the Act provides, inter alia, that where any books of account, other documents, money, bullion, jewellery or other valuable article or thing are found in the possession or control of any person during the course of a search, it may be presumed that such books of account, documents or assets belong to such person, that the contents of such books of account and other documents are true, and that the signatures and other relevant particulars appearing therein are genuine. Section 292C of the Act extends substantially corresponding presumptions to proceedings under the Act in the circumstances specified therein. These provisions confer an important evidentiary advantage upon the Revenue in search-related proceedings. However, the presumptions are rebuttable in character and must be applied with reference to the particular document, its contents and the facts sought to be established therefrom.

151. We are unable to accept the proposition that the presumptions u/s.132(4A) and 292C of the Act are confined merely to the physical existence or ownership of a seized document. The statutory language expressly contemplates a presumption regarding the truthfulness of its contents. Accordingly, where a document is recovered during a search and records monetary transactions, the Revenue is entitled to invoke the statutory presumption in support

of the authenticity and truthfulness of the entries, subject to rebuttal. Nevertheless, a presumption regarding the truthfulness of an entry does not dispense with the necessity of determining its proper meaning, the person to whom the transaction relates and the tax consequences arising therefrom. The presumption is evidentiary in nature; it does not create an independent charging provision under which every monetary entry automatically becomes taxable income.

152. Applying the aforesaid principles to the present case, we find that the ld.CIT(A) has not proceeded on the premise that the seized Excel sheet was incapable of attracting the statutory presumptions. The ld.CIT(A) examined the contents of the electronic record, the statements recorded during the course of search and the cash found at the premises. The ld. CIT(A) also took cognisance of the fact that the assessee had failed to furnish a complete reconciliation of the transactions. It was only after considering these circumstances, together with the defects and inconsistencies appearing in the Excel sheet and the absence of satisfactory verification by the AO, that the ld.CIT(A) declined to accept the entire gross receipts as undisclosed income. Thus, the impugned appellate orders do not disclose any disregard of the statutory presumptions; rather, they reflect an evaluation of the material in the light of the competing explanations.

153. The ld.AR has specifically drawn our attention to the negative cash balances, discontinuity in the recording of transactions and arithmetical inconsistencies appearing in the seized Excel sheet. These are not merely general denials of the transactions but specific deficiencies arising from the contents of the very document upon

which the Revenue relies. Where the Revenue invokes a presumption regarding the correctness of a document, the document must necessarily be considered in its entirety, including those features which bear upon its reliability as a complete and accurate record. The statutory presumption cannot be invoked selectively in respect of entries favourable to the Revenue while disregarding internal inconsistencies and qualifications emerging from the same material. The ld. CIT(A) was, therefore, justified in examining whether the seized Excel sheet, notwithstanding its evidentiary relevance, furnished a reliable basis for determining the entire amount of taxable income.

154. We also find merit in the submission of the ld. AR that the presumption regarding the contents of the seized Excel sheet cannot, without further examination, establish that every cash receipt reflected therein was attributable to the assessee company. The entries admittedly referred to various parties and were explained as relating to several group concerns. The AO has not undertaken a satisfactory exercise to distinguish transactions pertaining to the assessee company from those relating to other entities. Even assuming that the entries represented actual cash movements, the further conclusion that all such movements constituted undisclosed income of the assessee company required proper examination of their nature and ownership. The statutory presumption does not dispense with this requirement.

155. The failure of the assessee to furnish a complete reconciliation is undoubtedly a circumstance operating against it, and we are not persuaded to hold that the assessee fully discharged the evidentiary burden cast upon it in respect of every entry appearing in the seized

material. However, the failure to establish the nature of every transaction does not necessarily warrant the addition of the entire gross receipts where the record itself indicates the possibility of cash recycling, inter-entity movements and withdrawals from disclosed sources. The ld.CIT(A), while recognising the deficiencies in the explanation furnished by the assessee, sustained a substantial portion of the additions on an estimated basis. In our considered opinion, the Revenue cannot successfully contend that the statutory presumptions were altogether ignored merely because the ld. CIT(A) declined to sustain the gross additions in their entirety.

156. We, therefore, hold that the ld. CIT(A) has not committed any error of law in recognising the evidentiary relevance of the seized material while declining to treat the entire gross cash receipts as undisclosed income. On the facts of the present case, the statutory presumptions u/s.132(4A) and 292C do not conclusively establish the precise quantum of taxable income determined by the AO. The Revenue has not demonstrated that the ld.CIT(A) misdirected himself in applying these provisions or that his findings are contrary to the material available on record. Accordingly, Grounds Nos. 5 and 7 raised by the Revenue are dismissed.

157. By Ground No. 8, the Revenue has specifically challenged the impugned appellate orders by relying upon the judgment of the Hon'ble jurisdictional High Court of Madras in Smt. N. Saroja v. Assistant Commissioner of Income Tax, T.C.A. Nos. 1395 to 1401 of 2009, dated 18.03.2026. The Revenue has contended that the Hon'ble High Court recognised the statutory presumption u/s.132(4A) of the Act in favour of the Revenue and held that the

burden lies upon the assessee to rebut the presumption by producing supporting evidence. It is, therefore, contended that the ld. CIT(A) erred in granting relief notwithstanding the assessee's failure to furnish a complete reconciliation of the entries appearing in the seized documents.

158. We have carefully considered the judgment relied upon by the Revenue. In the said case, the Hon'ble jurisdictional High Court examined the evidentiary value of loose sheets recovered during the course of search, particularly in relation to alleged undisclosed investments in immovable property. The Hon'ble High Court recognised that the statutory presumptions applicable to search proceedings materially distinguish the evidentiary framework under the Income-tax Act from that governing ordinary civil and criminal proceedings. It was held that the assessee could not displace the statutory presumption merely by denying the entries or contending that the loose sheets were not written in the assessee's handwriting. The Hon'ble High Court emphasised the necessity of producing evidence capable of rebutting the presumption and upheld the additions in the factual circumstances of that case.

159. We respectfully follow the aforesaid judgment of the Hon'ble jurisdictional High Court. In particular, we accept the proposition that contemporaneous records recovered during a search may possess substantial probative value and that the assessee is required to furnish a credible explanation, supported by relevant material, to rebut the statutory presumption. We also recognise that a mere general denial or an unsupported assertion that the entries do not represent actual transactions would ordinarily be insufficient. However, the application of the aforesaid principle to the present

case requires consideration of the material factual differences between the two cases.

160. In Smt. N. Saroja (supra), the controversy concerned identifiable investments and monetary transactions recorded in the seized material, and the Hon'ble High Court found that the assessee therein had failed to produce evidence sufficient to rebut the entries relating to unaccounted payments. In the present case, the seized Excel sheet constitutes a running record of cash receipts and payments over several financial years. The controversy is not confined to whether particular monetary entries existed or whether the transactions recorded therein actually took place. The more fundamental question is whether the aggregate of the receipts recorded in such a running account, without examining the corresponding payments, circulation of cash, bank withdrawals and transactions of different group concerns, could be treated in its entirety as undisclosed income of the assessee company. The judgment in Smt. N. Saroja does not dispense with the necessity of determining the correct taxable character and quantum of the transactions appearing in a seized document.

161. We further find that the ld. CIT(A) has not accepted a mere denial on the part of the assessee as sufficient to displace the evidentiary effect of the seized material. On the contrary, the ld. CIT(A) specifically took note of the existence of cash transactions, the statements recorded during the course of search and the assessee's failure to furnish a complete reconciliation. The ld. CIT(A) also recognised that the seized material could not be disregarded altogether. The relief granted was founded upon the distinct conclusion that the gross cash receipts could not be equated with

taxable income without proper verification and segregation of the transactions. Such a conclusion does not run contrary to the principle laid down by the Hon'ble jurisdictional High Court.

162. We also consider it relevant that the Hon'ble jurisdictional High Court, in Smt. N.Saroja, emphasised the necessity of appreciating the seized documents and the explanations furnished in the factual context of the transactions concerned. The statutory presumption strengthens the evidentiary value of the seized material but does not authorise an assessment divorced from the actual nature of the transactions. In the present case, the ld. CIT(A) has neither rejected the statutory presumption nor treated the seized documents as inadmissible. Rather, the ld. CIT(A) has recognised their evidentiary value and sustained a portion of the additions. The dispute essentially relates to the extent of the additions sustainable on the basis of the material available on record.

163. In these circumstances, we are of the considered view that the judgment of the Hon'ble jurisdictional High Court in Smt. N. Saroja does not mandate restoration of the entire gross additions made by the AO. The said judgment supports the Revenue's entitlement to rely upon the seized material and invoke the statutory presumptions, but it does not establish that every receipt reflected in a running cash account must necessarily be assessed as fresh undisclosed income. The distinction is material and goes to the root of the controversy. Accordingly, we find that the ld. CIT(A) has not acted in derogation of the law laid down by the Hon'ble jurisdictional High Court. Ground No. 8 raised by the Revenue is, therefore, dismissed.

164. We shall now advert to the principal grievance of the Revenue, raised in Grounds Nos.1, 2 and 6, that the ld.CIT(A), having accepted the existence of unaccounted cash transactions, ought to have sustained the entire additions made by the AO instead of restricting them to 25%. The ld.DR has vehemently contended that the assessee company had adopted a systematic practice of booking expenditure in its regular books of account and subsequently receiving back the amounts in cash from the respective vendors. According to the ld.DR, the seized Excel sheet, the statements recorded during the course of search and the physical cash found at the premises, when considered cumulatively, established that the expenditure claimed by the assessee was fictitious and that the AO was, therefore, justified in disallowing the entire amounts. We have given our thoughtful consideration to this contention. In our considered opinion, the fundamental infirmity in the approach adopted by the AO lies in the failure to establish a direct and verifiable nexus between the cash receipts recorded in the seized Excel sheet and the expenditure actually claimed as a deduction by the assessee company.

165. It is an elementary principle governing the computation of business income that, before an expenditure can be disallowed as bogus or fictitious, it must first be established that such expenditure was actually claimed as a deduction in computing the taxable income of the assessee. The mere existence of a cash receipt, even if unexplained, does not automatically establish that an equivalent amount of expenditure was claimed as a deduction in the books of account. Where the allegation is that payments made to vendors through banking channels were subsequently returned in cash, the

AO is required to identify the expenditure so booked, examine the corresponding ledger accounts, ascertain the nature of the transactions and establish the connection between the payments and the alleged cash receipts. In the absence of such an exercise, the disallowance of expenditure would rest upon an assumption rather than a conclusion founded upon identifiable transactions.

166. In the present case, the ld.AR has specifically submitted that the AO did not identify even a single expenditure voucher, invoice, ledger account or expenditure head that was independently examined and found to be fictitious or inflated. The assessment orders, as borne out by the material placed before us, do not disclose any satisfactory exercise undertaken by the AO to correlate the alleged cash receipts from vendors with particular expenditure claimed in the profit and loss account of the assessee company. The AO has neither established the precise amount of expenditure booked in the accounts of the assessee that corresponded to the alleged cash receipts nor demonstrated that such expenditure was not incurred for the purposes of business. These deficiencies assume considerable significance because the addition has been justified by the Revenue substantially on the allegation that the assessee had inflated its expenditure by receiving back the amounts paid to vendors.

167. We are conscious that the failure of the AO to reject the books of account u/s.145 of the Act does not, by itself, preclude him from making a specific addition or disallowance on the basis of incriminating material recovered during the course of search. Where independent evidence establishes that a particular expenditure is fictitious or that an unaccounted receipt has arisen, the AO may

make an appropriate addition in accordance with law without necessarily rejecting the books of account in their entirety. However, in the present case, the absence of rejection of the books assumes relevance when considered alongside the failure to identify any specific expenditure claimed by the assessee as bogus or inflated. The AO cannot dispense with the requirement of establishing the relevant taxable transaction merely by relying upon the aggregate of cash receipts appearing in an informal electronic record.

168. We further find considerable force in the submission of the ld. AR that the AO has not distinguished the transactions pertaining to the assessee company from those relating to other group concerns. The explanation furnished during the post-search proceedings specifically referred to cash withdrawals from disclosed bank accounts and cash movements undertaken for the business activities of different group entities. The AO has not demonstrated that these explanations were examined by undertaking a meaningful comparison with the books of account and bank statements of the respective concerns. Instead, the entire cash receipts appearing in the seized Excel sheet were treated as unexplained, notwithstanding the possibility that some entries represented movements of funds already recorded in the regular books or the circulation of the same cash.

169. Another material aspect that cannot be overlooked is the possibility of repeated circulation of cash. Where cash is received, subsequently paid out and thereafter received again, the aggregation of all such receipts may substantially exceed the actual amount of funds introduced into the cash cycle. In such

circumstances, the entire receipts side of a running cash account cannot ordinarily be treated as income without examining the corresponding payments and determining whether the receipts represent independent transactions or the recycling of funds. In the present case, the seized Excel sheet admittedly contained both receipts and payments, together with running balances. The AO, however, proceeded to treat the aggregate receipts as income without demonstrating that the same funds had not circulated repeatedly. We find that the ld.CIT(A) was justified in taking cognisance of this fundamental deficiency.

170. The ld.AR has also emphasised that the seized Excel sheet contained entries representing withdrawals from disclosed bank accounts. In our opinion, this contention is relevant to determining the correct quantum of income. If a particular cash entry represents a withdrawal from a disclosed bank account, the mere recording of such withdrawal in an informal cash account does not give rise to a fresh taxable receipt. Similarly, where cash received on one occasion is subsequently utilised for making payments and the same funds are thereafter brought back into circulation, the cumulative total of such cash movements cannot necessarily be equated with the amount of undisclosed income. Although the assessee has not established the nature of every entry by furnishing a complete reconciliation, the AO was not justified in ignoring these possibilities altogether while determining the quantum of the additions.

171. We further notice that the AO has referred to certain WhatsApp communications involving Shri R.Ramamoorthi, M/s.SK Cables and Anu Abraham in support of the allegation that amounts paid to vendors were received back in cash. Such communications

undoubtedly constitute relevant material and may lend corroboration to the existence of particular cash-back transactions. Nevertheless, the Revenue has not demonstrated before us that the contents of these communications establish that the entire amounts of Rs.3,69,77,575/- and Rs.9,14,90,284/- pertaining to the respective assessment years represented fictitious expenditure claimed by the assessee company. Evidence establishing the existence of particular transactions cannot, without further examination, be extrapolated to every entry appearing in the seized Excel sheet. The AO was required to examine the specific transactions reflected in such communications and determine their actual bearing on the amounts proposed to be assessed.

172. We also find that the approach adopted by the AO suffers from an inconsistency regarding the nature and ownership of the alleged income. On the one hand, the AO concluded that the cash receipts reflected in the seized Excel sheet represented amounts received back against expenditure booked by M/s.IG3 Infra Limited and its group concerns. On the other hand, the AO proceeded to assess the very same amounts substantively in the hands of Shri Shanmugham Thiagarajan under the head "Income from Other Sources", while making corresponding additions on a protective basis in the hands of the assessee company on account of the alleged bogus expenditure. Although substantive and protective assessments may be resorted to in appropriate circumstances where there is a bona fide doubt regarding the person in whose hands a particular income is assessable, such a course does not dispense with the requirement of establishing the existence, nature and quantum of the income itself.

173. The very foundation of a protective assessment is the existence of uncertainty regarding the person in whose hands the income is ultimately liable to be assessed. The making of a protective addition cannot strengthen the evidentiary basis of an otherwise unsubstantiated addition, nor can it justify treating the gross receipts appearing in a seized document as income without proper verification. In the present case, the ld.CIT(A), while deleting the substantive additions in the hands of Shri Shanmugham Thiagarajan, treated the additions in the hands of the assessee company as substantive and restricted their quantum to 25%. The Revenue has not demonstrated before us how the entire gross receipts could be restored in the hands of the assessee company without first establishing that such receipts represented its taxable income or related to expenditure inadmissibly claimed by it.

174. We shall now consider the specific contention of the ld.DR that the restriction of the additions to 25% by the ld.CIT(A) is arbitrary and unsupported by any cogent basis. We are conscious of the settled principle that an estimate of income cannot be founded upon pure conjecture or an arbitrary percentage selected without reference to the material available on record. Although estimation necessarily involves an element of approximation, it must bear a reasonable relationship to the facts and circumstances of the case. Equally, where the available material establishes the existence of unaccounted transactions but does not furnish a reliable basis for determining their precise taxable component, the taxing authorities may, in appropriate circumstances, resort to a fair and reasonable estimate rather than adopt an excessive computation unsupported by the underlying transactions.

175. In the present case, the ld.CIT(A) was confronted with two competing positions. The AO had treated the entire gross cash receipts reflected in the seized Excel sheet as undisclosed income, notwithstanding the absence of satisfactory verification of the corresponding payments, cash withdrawals, inter-entity transactions and expenditure claimed in the regular books. The assessee, on the other hand, contended that the seized Excel sheet was unreliable and that the entire additions were liable to be deleted. The ld.CIT(A), after examining the material and the explanations furnished, did not accept either of these extreme positions. The ld. CIT(A) recognised that the seized electronic record, the statements recorded during the course of search and the physical cash found at the premises constituted relevant evidence indicating the existence of cash transactions outside the regular books. At the same time, the ld.CIT(A) found that the material was insufficient to establish that the entire gross receipts represented taxable income.

176. We find that the ld.CIT(A) has specifically recorded the circumstances necessitating an estimation of the income element. These include the incomplete and inconsistent nature of the seized Excel sheet, the absence of a reliable transaction-wise reconciliation, the failure of the AO to identify specific bogus expenditure, the possibility of cash circulation and transactions involving different group concerns, and the inability to determine the precise taxable component from the gross receipts. The estimation adopted by the ld.CIT(A), therefore, cannot be characterised as having been made in complete disregard of the material available on record. It represents an attempt to determine a reasonable taxable component from transactions whose existence

was supported by the seized material but whose exact nature and quantum had not been satisfactorily established.

177. The ld. AR has submitted that the assessee had worked out the peak credit of the cash transactions at Rs.2,72,39,040/- and had offered the same for taxation amongst the respective group concerns. It was further submitted that the aggregate additions sustained by the ld.CIT(A) for the assessment years under consideration amounted to Rs.3,21,16,965/-, which exceeded the aforesaid peak credit. We find that this comparison lends some support to the contention of the ld. AR that the relief granted by the ld.CIT(A) was not so excessive as to warrant restoration of the entire additions. However, we clarify that the peak credit of Rs.2,72,39,040/- was stated to have been worked out in respect of transactions pertaining to several group concerns and different assessment years, and its correctness and applicability were not conclusively established before the AO. Consequently, the said peak credit cannot, by itself, be treated as the definitive measure of income assessable in the hands of the present assessee for the two assessment years under consideration.

178. Nevertheless, the relevance of the peak credit working lies in the fact that the assessee had consistently maintained that the seized Excel sheet represented a running account of cash receipts and payments involving the circulation of funds, rather than independent accruals of income corresponding to every receipt entry. The AO was not justified in rejecting the possibility of such circulation without examining the receipts and payments in their proper sequence. The ld.CIT(A), while not accepting the peak credit working as a conclusive computation, took into account the

possibility of cash recycling and the existence of transactions pertaining to different entities. We find that these are relevant considerations in determining whether the entire gross receipts could be brought to tax.

179. It is also pertinent to observe that the Revenue, while challenging the estimation made by the ld.CIT(A), has not placed before us any alternative computation founded upon a proper segregation of the entries appearing in the seized Excel sheet. The ld. DR has reiterated that the entire gross receipts ought to have been assessed but has not demonstrated that each receipt represented an independent taxable transaction or that the corresponding expenditure was actually claimed and was fictitious. Nor has the Revenue identified any particular transaction or class of transactions that the ld.CIT(A) erroneously excluded while restricting the additions. In the absence of such material, the mere assertion that the estimate of 25% is inadequate cannot justify restoration of the entire additions.

180. We are conscious that the percentage of 25% adopted by the ld.CIT(A) is not derived from any statutory formula or established industry profit rate. Nevertheless, the question before us is whether the Revenue has demonstrated that the estimate is so unreasonable, arbitrary or contrary to the material available on record as to warrant interference. Having regard to the fact that the seized Excel sheet was admittedly incomplete, that the AO had not undertaken a satisfactory reconciliation of the transactions, that the entries related to several group concerns, and that the precise quantum of fictitious expenditure, if any, had not been established, we are unable to hold that the ld.CIT(A) was bound to sustain the

entire gross additions. The estimate must be examined in the context of the deficiencies in the underlying computation and not merely by comparing the percentage adopted with the aggregate receipts.

181. We further observe that the ld.CIT(A) has sustained substantial additions of Rs.92,44,394/- for AY 2019-20 and Rs.2,28,72,571/- for AY 2020-21. The additions sustained are neither nominal nor illusory. They reflect the adverse evidentiary circumstances arising from the seized material and the failure of the assessee to satisfactorily explain all the transactions. The ld.CIT(A) has, therefore, not accepted the assessee's explanation unconditionally. Rather, the impugned orders balance the evidentiary significance of the seized material against the deficiencies in the AO's computation of the alleged undisclosed income.

182. We are, therefore, of the considered opinion that, having regard to the peculiar facts and circumstances of the present case, the estimation made by the ld.CIT(A) represents a permissible appreciation of the material available on record. The Revenue has not brought any cogent material before us to establish that the entire amounts added by the AO represented the taxable income of the assessee company. In the absence of such material, we do not consider it appropriate to substitute the estimate made by the ld. CIT(A) with the gross additions originally made by the AO. Accordingly, the contention of the Revenue that the ld. CIT(A) arbitrarily restricted the additions to 25% is rejected.

183. Ground No. 1 raised by the Revenue is general in nature and challenges the impugned appellate orders as erroneous on facts and in law. Ground No. 6 seeks restoration of the assessment orders on the premise that the findings of the ld.CIT(A) are contrary to the facts and the provisions of law. Ground No. 10 is consequential in nature and seeks permission to raise additional grounds while praying for restoration of the assessment orders. Inasmuch as the substantive objections raised by the Revenue have already been considered and rejected in the preceding paragraphs, these general and consequential grounds do not call for separate adjudication. No independent factual or legal infirmity warranting interference with the impugned orders has been demonstrated under these grounds. Accordingly, Grounds Nos. 1, 6 and 10 are also dismissed.

184. Before concluding, we consider it necessary to reiterate that our decision should not be understood as laying down a proposition that seized electronic records, loose sheets or statements recorded u/s.132(4) of the Act cannot constitute sufficient evidence for making additions under the Act. Such a proposition would be contrary to the express statutory provisions and the principles recognised by the Hon'ble jurisdictional High Court. The seized documents and sworn statements are undoubtedly relevant and may, depending upon their contents and surrounding circumstances, constitute substantial evidence of undisclosed income. However, whether the entire amount reflected in a particular seized document constitutes taxable income must be determined upon a proper appreciation of the nature of the transactions and the material available on record.

185. In the present case, the AO proceeded on the assumption that the entire cash receipts appearing in the seized Excel sheet represented amounts received back from vendors against expenditure claimed by the assessee company. However, the AO has not satisfactorily established the nexus between the entire receipts and the expenditure claimed in the regular books, has not undertaken proper entity-wise segregation of the transactions, and has not adequately examined the possibility of cash withdrawals from disclosed sources and the circulation of funds. The seized Excel sheet itself suffers from material inconsistencies and discontinuities, which impair its reliability as a complete and accurate computation of the alleged undisclosed income. These deficiencies cannot be cured merely by invoking the statutory presumptions or relying upon admissions regarding the existence of cash transactions.

186. At the same time, we find that the ld. CIT(A) has not accepted the assessee's explanation in its entirety. The ld.CIT(A) has duly taken cognisance of the seized electronic material, the statements recorded during the course of search, the physical cash found at the premises and the assessee's failure to furnish a complete reconciliation. The ld. CIT(A) has, therefore, sustained a portion of the additions rather than directing their deletion in entirety. The Revenue has not demonstrated that the factual findings recorded by the ld.CIT(A) are perverse or that the entire gross receipts represented independently taxable transactions. In these circumstances, we do not find sufficient reason to disturb the estimate made by the ld.CIT(A).

187. We also find that the judicial authorities relied upon by the Revenue, namely, B.Kishore Kumar v. DCIT and Smt. N.Saroja v.

ACIT, do not compel a different conclusion. These decisions recognise the evidentiary value of admissions and seized records and acknowledge the statutory presumptions available to the Revenue. However, they do not dispense with the requirement of determining the correct nature, ownership and quantum of income arising from the transactions under consideration. In the present case, the ld.CIT(A) has recognised the evidentiary value of the seized material but has declined to accept the aggregate cash receipts as the measure of taxable income. We find that the Revenue has not established any legal infirmity in this approach warranting restoration of the entire additions.

188. In view of the foregoing discussion and having regard to the totality of the facts and circumstances of the case, we are of the considered opinion that the ld.CIT(A) was justified, on the basis of the material and submissions available before us, in restricting the additions to 25% of the amounts originally assessed by the AO. The Revenue has failed to establish that the balance 75% of the gross receipts represented undisclosed income or inadmissible expenditure attributable to the assessee company. Consequently, we find no reason to interfere with the findings recorded by the ld.CIT(A) in granting the impugned relief. Accordingly, we uphold the orders passed by the ld.CIT(A) dated 20.02.2026 for AYs 2019-20 and 2020-21, insofar as they restrict the additions to Rs.92,44,394/- and Rs.2,28,72,571/-, respectively, and direct deletion of the balance additions of Rs.2,77,33,181/- and Rs.6,86,17,713/-, respectively. All the grounds raised by the Revenue in the respective appeals are dismissed.

189. In the result, both the appeals filed by the Revenue in ITA Nos. 2577 and 2578/Chny/2026 for AYs 2019-20 and 2020-21 are dismissed.

190. In the result, all four appeals filed by the Revenue are dismissed.

Order pronounced in the open court on the 16th day of October, 2026 in Chennai.

Sd/-	**Sd/-**
(एस. आर. रघुनाथा)	**(मनु कुमार गिरि)**
(S.R.RAGHUNATHA)	**(MANU KUMAR GIRI)**
लेखा सदस्य**/ACCOUNTANT MEMBER**	न्यायिक सदस्य**/JUDICIAL MEMBER**

चेन्नई/Chennai,

दिनांक/Dated: 16th October 2026.

SNDP, Sr. PS

आदेश की प्रतिलिपि अग्रेषित**/Copy to:**

1. अपीलार्थी/Appellant-Revenue
2. प्रत्यर्थी/Respondent-Assessee
3. आयकरआयुक्त/CIT, Chennai / Madurai / Salem / Coimbatore.
4. विभागीयप्रतिनिधि/DR
5. गार्डफाईल/GF