

Ajay Food Products v. Income Tax Officer and others

ITA No. 16/2007

ITA No. 16/2007 (J&K and Ladakh HC at Jammu, decided 11.03.2026) | 2026-03-11

Addition of Rs. 7,00,000 for unexplained excess stock upheld where the hypothecation statement submitted to State Bank of India on 25.09.2000 specified both exact quantities and values of Soya DOC and Soya Nuggets (exceeding book stock by ~39,500 kgs and ~5,500 kgs) and carried a signed certification of truth and conformity with permanent books.

Income-tax Act, 1961: sections 69, 69B, 143(3), 145 and 260A

High Court of Jammu & Kashmir and Ladakh | 2-judge bench (Division Bench at Jammu) | Arun Palli, C.J. | Rajnesh Oswal, J.

Assessment years: 2001-02 (FY 2000-01 stock statement dated 25.09.2000)

Distinguishes Ashok Kumar v. ITO, (2006) 201 CTR (J&K) 178 on quantity-cum-value certification

Note that the CIT(A) had already reduced the AO's original addition of Rs. 7,77,218 to Rs. 7,00,000 by order dated 08.09.2004, which was the quantum upheld by the ITAT and the High Court.

01 FACTS OF THE CASE

Ajay Food Products, a partnership firm manufacturing Soya Nuggets from Soya Beans, availed a cash credit facility from State Bank of India, Purani Mandi, Jammu against stock hypothecation. As on 25.09.2000, the firm's books of account recorded 20,666 kgs of DOC Soya (valued at Rs. 3,51,322) and 2,573 kgs of Soya Nuggets (valued at Rs. 51,460), whereas the hypothecation statement filed with the Bank on the same date declared 60,000 kgs of DOC Soya (valued at Rs. 10,20,000) and 8,000 kgs of Soya Nuggets (valued at Rs. 1,60,000) — an excess of Rs. 7,77,218. Rejecting the plea that the bank statement contained routine inflated estimates to obtain higher credit, the AO added Rs. 7,77,218 vide assessment order dated 31.03.2004. The CIT(A), Jammu modified the addition to Rs. 7,00,000 on 08.09.2004 (allowing a 10% estimation margin), and the ITAT Amritsar Bench dismissed the assessee's appeal on 20.07.2007.

Source: [Pages 1-4 of 8 \(Paragraphs 1-7\) \(20260311_JKHCo20006282007.pdf\)](#)

02 DISCUSSION BY THE HON'BLE COURT

Distinguishing the coordinate Bench decision in *Ashok Kumar v. ITO*, (2006) 201 CTR (J&K) 178 (where the bank declaration stated only a rough value without quantities), and relying on *Coimbatore Spinning & Weaving Co. Ltd. v. CIT*, (1974) 95 ITR 375 (Mad), *Shakuntla Thukral v. CIT* (ITA No. 302/2013, P&H HC), and *Suraj Bhan Oil (P) Ltd. v. DCIT* (ITA No. 121/2021, MP HC), the Division Bench held that the hypothecation statement dated 25.09.2000 specified both exact physical quantities (showing a discrepancy of ~39,500 kgs of Soya DOC and ~5,500 kgs of Soya Nuggets) and values, and bore a signed verification certifying that the quantities were true, accurate, and in conformity with the permanent books of account. The Court deprecated the plea of declaring inflated stock to banks for higher credit as 'commercial immorality' that cannot be countenanced in law.

Source: [Pages 5-8 of 8 \(Paragraphs 12-19\) \(20260311_JKHC020006282007.pdf\)](#)

03 JUDICIAL DECISION

Answering both substantial questions of law against the assessee and in favour of the Revenue, the High Court of Jammu & Kashmir and Ladakh dismissed ITA No. 16/2007.

Source: [Pages 7-8 of 8 \(Paragraphs 17-20\) \(20260311_JKHC020006282007.pdf\)](#)

04 OUTCOME / IN WHOSE FAVOUR

In favour of the Revenue; assessee's appeal ITA No. 16/2007 dismissed and Rs. 7,00,000 excess-stock addition affirmed.

Source: [Page 8 of 8 \(Paragraph 20\) \(20260311_JKHC020006282007.pdf\)](#)

05 AKHB REVIEW POINT

AKHB analysis: The J&K and Ladakh High Court draws a decisive evidentiary line on bank-stock discrepancies: while a value-only rough estimate was excused in *Ashok Kumar v. ITO* ((2006) 201 CTR (J&K) 178), a bank hypothecation statement that itemizes both physical quantities (kgs) and values and carries a signed verification of conformity with permanent books constitutes an admission binding on the assessee.

Source: [Full judgment PDF \(8 pp.\)](#)

SOURCE & VERIFICATION

[Original judgment PDF \(20260311_JKHC020006282007.pdf\)](#)

Reviewed from the complete 8-page official High Court judgment PDF (20260311_JKHC020006282007.pdf, SHA-256: fa73e99c6b812723e25ab53b644febe16c7121662f79126e7e08f6db4710df22).

Supplied source-reviewed note retained; original bytes and identity validation checked in this release. Substantive re-review is not claimed for this record.

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Primary source verified page-by-page (8 physical pages, 369,035 bytes, SHA-256: fa73e99c6b812723e25ab53b644febe16c7121662f79126e7e08f6db4710df22). Cloud Google Drive File ID: 1I_o2KrgJhqh9gF-O4kLE4mDWcewDvhog (https://drive.google.com/file/d/1I_o2KrgJhqh9gF-O4kLE4mDWcewDvhog/view).

STATUTORY SCOPE

Refers to the Income-tax Act, 1961 and allied statutory rules/circulars as applicable to the relevant assessment years.

LATER TREATMENT

Source checked 2026-10-18. No subsequent Supreme Court reversal or stay is recorded in the source judgment text.

AI DISCLOSURE

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