

**IN THE INCOME TAX APPELLATE TRIBUNAL  
DELHI BENCH 'I': NEW DELHI**

**BEFORE MS. MADHUMITA ROY, JUDICIAL MEMBER  
AND  
SHRI MANISH AGARWAL, ACCOUNTANT MEMBER**

ITA No.5882/Del/2024  
(ASSESSMENT YEAR 2021-22)

Hitachi Astemo Haryana Pvt. Ltd. (formerly known as Showa India Private Limited), Plot No.23-32, Sector-58, Behind JCB India Ltd., Faridabad, Haryana-121002. <b>PAN-AABCE5725G</b>	Vs.	Dy. CIT, Circle-10(1), CR Building, IP Estate, New Delhi-110002.
<b>(Appellant)</b>		<b>(Respondent)</b>
<b>Assessee by</b>	Ms. Ananya Kapoor, Adv.	
<b>Department by</b>	Shri Dharm Veer Singh, CIT- DR	
<b>Date of Hearing</b>	02.03.2026	
<b>Date of Pronouncement</b>	27.05.2026	

**ORDER**

**PER MANISH AGARWAL, AM:**

The present appeal is filed by the Assessee against the final assessment order passed u/s 143(3) r.w.s. 144C(13) r.w.s. 144B of the Income Tax Act, 1961 ('the Act') dated 29.10.2024.

2. Brief facts of the case are that the assessee is a company engaged in the Manufacturing of shock absorber used in two wheelers for domestic and export market. Besides, assessee also assemble/trading of electric power steering used in four-wheeler automobiles for domestic market. The return of income was e-filed on 15.02.2022 declaring loss of Rs. 9,19,08,088/-. Since, the assessee is having international transactions with its AEs, a reference was made to the TPO for

determination of Arm's Length Price (ALP) for international transaction. The assessee is having following international transactions:

<b>S. No.</b>	<b>Nature of the transactions</b>	<b>Amount</b>
1	Purchase of raw material and consumables	14,16,37,996
2	Sale of components	86,87,435
3	Sale of Finished Goods	59,06,78,086
4	Payment for warranty charges	6,45,684
5	Payment for rework charges	33,27,955
6	Import of EPS	3,91,80,418
7	Royalty payments under Technical Collaboration agreement	8,84,64,533
8	Payment of Brand Fees	1,01,24,383
9	Payment of technical support services under Technical collaboration agreement	38,07,035
10	Payment for interpretation charges	71,497
11	Issue of Equity Share charges	1,26,80,00,000
12	Provision of support services	1,96,43,087
13	Expenses reimbursed to AEs	5,12,61,414
14	Expenses reimbursed by AEs	1,02,10,356

3. The TPO after considering the submissions has excluded certain comparables and includes new comparable and made the following adjustments in ALP of three type of transactions:

<b>Particulars</b>	<b>Adjustment Amount (in INR)</b>
Manufacturing segment	8,72,30,293
Provision of business support services	33,18,346
Payment of royalty	4,42,32,266
<b>Total</b>	<b>13,47,80,905</b>

4. Thereafter the AO has passed the draft assessment order wherein the adjustment made by the TPO were added to the total income of the assessee. Against

the draft assessment order, Assessee filed objections before the Id. DRP who vide its order dated 24<sup>th</sup> Sep. 2024 has partially accepted the objections filed by the assessee and directed the AO/TPO to reconsider certain comparables included. Thereafter the TPO has passed the order giving effect (OGE) dated 25<sup>th</sup> October, 2024 wherein the TPO has made the following modified adjustment:

<b>Particulars</b>	<b>Final Adjustment Amount (in INR)</b>
Manufacturing segment	2,02,53,040
Provision of business support services	31,94,384
Payment of royalty	NIL
<b>Total</b>	<b>2,34,47,424</b>

5. Thereafter, the AO passed the final assessment order dated 29.10.2024 wherein the final adjustment made by the TPO in the OGE of Rs.2,34,47,424/- were added. Accordingly, the total income of the assessee was assessed at Rs. 6,84,60,664/-.

6. Against the said order, the assessee is in appeal before the Tribunal by taking various grounds of appeal:

*“Hitachi Astemo Haryana Private Limited (formerly Showa India Private Limited) (hereinafter referred to as 'Hitachi Astemo or 'Appellant) craves leave to prefer an appeal against the order passed by the Assessment Unit, Income Tax Department pursuant to directions issued by the Hon'ble Dispute Resolution Panel (hereinafter referred to as 'DRP'] under Section 143(3) read with Section 144C(13) and Section 1448 of the Income-tax Act, 1961 (hereinafter referred to as the 'Act') on the following grounds:*

*1. That, on the facts and circumstances of the case and in law, the directions issued by the Ld. DRP abdicated its statutory responsibility beyond the mandate prescribed in the provisions of Section 144C(8) of the Act, by directing the Ld. TPO to verify the Appellant's contentions and hence are void and liable to be quashed.*

**GROUND PERTAINING TO MANUFACTURING SEGMENT**

*2. The Ld. TPO/AO/DRP has erred, in law and on facts and circumstances of the case, by misunderstanding the profile of Appellant and identifying fresh comparable*

*companies, without undertaking a detailed search process, based on inappropriate and unreasonable criteria.*

3. *That on the facts and circumstances of the case and in law, net margins of certain comparables appear to have been wrongly computed by the Ld. TPO/AO/DRP which the Appellant has not been able to verify from the Annual Reports in absence of backup computation.*

#### **GROUND PERTAINING TO BUSINESS SUPPORT SERVICES**

4. *Without prejudice to any of the grounds, the Ld. TPO/AO/DRP has erred, in law and on facts, by completely misunderstanding the nature of business support services provided by the Appellant and consequently disregarding the search process adopted by the Appellant and rejecting companies based on inappropriate and unreasonable criteria.*
5. *The Ld. TPO/AO/DRP has erred, in law and on facts and circumstances of the case, by identifying fresh comparable companies without undertaking a detailed search process, based on inappropriate and unreasonable criteria.*

#### **GROUND PERTAINING TO PENALTY PROCEEDINGS**

6. *That on facts and in laws, the Ld. AO erred in holding that the Appellant has furnished inaccurate particulars of income in respect of each item of disallowance/ additions and in initiating penalty proceedings under section 270A of the Act.*

*The appellant craves leave to add, alter, modify or delete such other objections before or during the course of hearing before the Hon'ble Income Tax Appellate Tribunal ('ITAT' so as to enable the Hon'ble ITAT to decide on the grounds raised by the Appellant as per law."*

7. Ground No.1 is general in nature needs no separate adjudication.
8. The ground of appeal No.6 is premature wherein the assessee has challenged the initiation of penalty proceedings u/s 270A of the Act thus dismissed.
9. During the course of hearing, the assessee filed a letter dated 25<sup>th</sup> Feb., 2026 and intended not to press grounds of appeal No. 4 & 5, thus, the same are dismissed.
10. Now only effective grounds of appeal remained to be decided are No. 2 & 3 wherein the assessee has challenged the transfer price adjustment in the ALP of manufacturing segment.

11. Before us, the Ld. AR for the assessee submits that the auto-component Industry can be bifurcated into six segments based on the report submitted by India Brand Equity Foundation (IBEF), a Trust established by the Department of Commerce, Ministry of Commerce and Industry, Government of India. As per the said report the auto-components are broadly bifurcated into following six segments:

- (i) Engine Parts
- (ii) Electric Parts
- (iii) Driving transmission and steering parts
- (iv) Suspension and Braking parts
- (v) Equipment's and
- (iv) Others.

12. The Ld. AR submits that assessee is manufacturing of shock absorber which is integral part of "suspension and braking parts" segment of the auto-component market. The Ld. AR drew our attention to Rule 10TA(b) of the Income Tax Rules, 1962 ('the Rules') wherein the core auto-components is defined the said Rules which is as under:

***"core auto components means,-***

- a. Engine and engine parts, including piston and piston rings, engine valves and parts cooling systems and parts and power train components;*
- b. Transmission and steering parts, including gears, wheels, steering systems, axles and clutches;*
- c. **Suspension and braking parts**, including brake and brake assemblies, brake linings, **shock absorbers** and leaf springs [or];*

13. Further under Rule 10TA(h) of the Rules provided:

*“non-core auto components’ mean auto components other than core auto components”*

14. As per the Ld. AR, the suspension and breaking segment is one of the core-auto component and, therefore, the company which is manufacturing core components cannot be compared with company manufacturing non-core auto components due to the inherent product dissimilarity. For this reliance is placed on the judgment of Co-ordinate Bench of ITAT, Delhi in the case of *Daido India Private Limited vs. DCIT (ITA No.5761/Del/2018)*. The Ld. AR thus, submitted that the comparables selected by the TPO for bench marking the transactions for determination of Arm’s Length Price (ALP) includes certain comparable which are engaged in manufacturing of non-core auto components and therefore, the same should be excluded from the final set of comparables. Thereafter, the Ld. AR made submission for the exclusion of the certain comparable companies considered by the TPO.

15. In this regard ld. AR submits that as per the TPO, under the manufacturing segment, assessee has selected TNMM method as most appropriate method and the assessee have taken PLI at 3.56% of costs whereas as per the TP document median of PLI of the comparables was worked out at 6.45%. Thereafter the TPO has recomputed the PLI at 2.24% as per the chart at Pages 4 to 6 of the TPO’s order. The ld. AR submits that the assessee has taken 14 comparables out of which TPO has selected 9 comparables and, further include 14 more comparables and, by taking 23 comparables, the arm’s length margin was taken at 10.38% and since, the same is outside the assessee margin of 2.24%, made the adjustments of Rs.8,72,30,293/- under manufacturing segment. The Ld. DRP directed the AO/TPO to reconsider the certain comparables as they are functionally dissimilar and in the OGE, the AO has

recomputed the ALP under manufacturing segment at Rs. 2,02,53,040/- by taking 26 comparables. The Ld. AR submits that out of 26 comparables following Five comparables are functionally dissimilar as they either are manufacturing non-core auto components or manufacturing different products namely:

- (i) M/s Vega Auto Accessories Private Limited (“Vega”)
- (ii) Studds Accessories Ltd. (“Studds”)
- (iii) Nifco South India Manufacturing Private Limited (“Nifco”)
- (iv) Eicher Motors Limited (‘Eicher’)
- (v) Special Engineering Services Limited (‘Special Engineering’)

16. Ld. AR submits that these comparable companies are functionally dissimilar as they are not in the business of core auto manufacturing, therefore, the Ld. AR requested for exclusion of these comparables. In this regard, detailed written submissions made on each of the comparable companies which is placed on record.

17. On the other hand, the Ld. CIT-DR vehemently supported the orders of the lower authorities and submits that Rule 10TA(b) of the Rules applicable where Safe Harbours Rules are opted by an assessee. The Ld. CIT-DR submitted that since the appellant has not opted for Safe Harbour Rules, therefore, the argument of the assessee that “core auto components” manufacturing companies should only be considered as valid comparable is misplaced. With respect to the exclusion of the Five comparables, ld. AR submits that assessee has followed TNMM method for computing the ALP and under TNMM method exact replica of functionally similar companies is practically impossible and under the TNMM method what is the necessary to be seen is net profitability and the minor differences in functionally comparables is not the true spirit of the method and in fact violates and is contrary to the reasoning and rational of the methodology having been chosen and accepted.

In this regard, Ld. CIT-DR placed reliance on the judgment of Co-ordinate Bench of Tribunal in the case of *Copal Research India (P.) Ltd. vs. DCIT, [2016] 73 taxmann.com. 157 (Delhi-Trib.)* wherein it is held that “.....broad comparability of fairly large number of comparable companies can further ensure that minor variations if any are offset by taking a fairly large sample. Any major impact of their FAR on their net profitability if still so warranted on facts can be addressed by carrying out appropriate adjustments the need for which has to be demonstrated on the basis of record so as to bring their FAR in alignment with that of the tested party i.e. the assessee...”.

18. With respect to the exclusion of two comparables namely, Eicher Motors Limited and Special Engineering Services Limited, ld. CIT DR submits that both these companies are engaged in manufacturing of auto mobiles and auto mobiles part and, therefore, they are broadly functionally comparables. For the remaining comparables, Ld. CIT DR vehemently supported the order so the AO /TPO and requested to include the same in the final set of comparables. In the last, ld. CIT DR He thus, prayed that TPO has rightly made adjustment which deserves to be sustained.

19. In rejoinder, the Ld. AR for the assessee has made written submissions regarding arguments taken by the Revenue towards non-adoption of Safe Harbours Rules and application of Rule 10TA(b) of the Rules which reads as under:

“1.1. It is respectfully submitted that during the course of the hearing, the Appellant lied on Rule 10TA(b) of the Income Tax Rules, 1962 ('the Rules') and Rule 10TA(h) of the Rules to show that the Legislature also recognizes the difference between "core auto components" and "non-core auto components" and basis this Delhi ITAT in the case of DCIT vs. Minda Acoustic Ltd. (ITA No. 1759/DEL/2015) (Pg. 1-20 of CLC), has discussed this aspect at length in para 12,13, 14, 16 and 20 and thereafter noted that there is a vital difference between manufacturing core auto-components and non-core auto-components and the 2 categories are inherently different and cannot be compared/equated. The

*Hon'ble Court has discussed this aspect at length and thereafter concluded in favour of the taxpayer.*

- 1.2. *Reliance is also placed in this regard on the coordinate bench's ruling in the case of Daido India Private Limited vs DCIT (ITA No. 5761/DEL/2018) (Pg. 21-42 of CLC), wherein the Hon'ble Delhi ITAT held that a company manufacturing core auto components cannot be compared with company manufacturing non-core auto components due to the inherent product dissimilarity.*
- 1.3. *The Ld. DR argued that if the Appellant has not opted for Safe Harbour Rules, then reliance on Rule 10TA is not permitted. In this regard, it is submitted that this argument is incorrect and has no legs to stand for the simple reason that-*
  - a. *The Appellant is only placing reliance to Rule 10TA definitions to argue that even the Legislature also recognizes the difference between "core auto components" and "non-core auto components.*
  - b. *The same argument was raised by the Revenue in DCIT vs. Minda Acoustic Ltd. (ITA No. 1759/DEL/2015) (Pg. 1-20 of CLC) (DR's argument is noted in para 6) and the Court has dealt with the same in para 16 and 20. In para 16 and 20, ITAT has held-*

*"16. As stated above the assessee is mainly into manufacturing of various types of horns, i.e., trumpet horns, air horns, disc horns, buzzers. The horn, per se cannot be said to be a core auto component and therefore, if we go by the distinction drawn by the safe harbor rules as point of reference or understanding the what is core and non-core components, then the products of the assessee falls in the category of non-core auto components. The distinction between core and non-core auto components assumes great significance in analysing the FAR analysis, because specific characteristics of the auto component manufactured and sold commands different terms of price negotiations, margins, and kind of assets deployed in terms of technology, R & D, skilled man power, etc. A core component definitely commands higher price and bigger bargaining power in the automobile industries as compared to manufacturers who are producing simply ancillary parts and non-core products like wind shields, horns, car accessories, etc. If we go by the components manufactured by some of the comparable companies as discussed by the DRP, like, Imperial Industries Ltd. it is seen that it is mostly engaged in manufacturing of radiator and heater hoses, fuel and vacuum hoses, fuel injection tubes, CRDi tubes, hydraulic tubes, EGR and Belfows. It manufactures various parts of engine, transmission system, breaks etc. which all form part of the IC engine part which is known as fluid transmission products used for internal combustion. These products are the core part of any auto components for running and transmission and therefore without these products, the vehicle cannot perform or run.*

*20. Thus, all these comparable companies are manufacturing core components which are the vital for the running and performance of the vehicle. The distinction between the core and non-core component in an automobile industry assumes great importance, because manufacturing of a core component can definitely command much higher price looking to its utility in the vehicle and use of high-end technology and highly skilled human resources as compared to non-core auto component manufacturers. The FAR analysis of the core and non-core in automobile industries are different and that is why statute has recognised this difference and has been introduced in Safe Harbor Rules, though brought from prospective date. But such a distinction can always acts like a guide in deciding the difference in FAR and comparability analysis. The reasoning given by the DRP for rejecting this comparables are based on sound principles and are thus upheld. Accordingly, the transfer pricing adjustment made by the TPO based on such comparables cannot be sustained and hence same are directed to be deleted."*

*c. Even in the aforementioned cases, the Assessee therein had not opted for Safe Harbour Rules and yet Court relied on the same for guiding reference purposes.*

*d. Safe Harbour Rules are applicable and binding only on Assessee's who opt for it and it is an admitted and an undisputed position that the Assessee did not opt for it. However, the Assessee only cites Rule 10TA definitions as a guiding principle to show that Legislature is aware of the vital difference in spare parts in the automobile industry and how that has an impact on the FAR analysis.*

*e. Hence, reliance is only for the purposes to appreciate the vital difference between "core auto components" and "non-core auto components". Rule 10B(2) also independently helps argue this point on account of FAR analysis and on FAR analysis for each comparable, the Assessee has already submitted its arguments and filed its detailed arguments."*

20. Heard both the parties and perused the materials available on record. First issue is whether the assessee can rely upon the definition provided under Rule 10TA(b) of the Rules for 'Core Auto components' or not since it has not opted for Safe Harbour Rules. In our opinion though the assessee has not opted for Safe Harbour Rules, however, a reference could be taken with respect to the definition of core auto component and non-core auto components. This view of supported by the judgement of the coordinate Delhi bench of Tribunal in the case of the DCIT vs. Mindia Acoustic Ltd. (ITA No.1759/Del/2015) wherein after considering the

arguments of the assessee and the Revenue the Co-ordinate Bench in para 16 and 20 has made the following observations:

*"16. As stated above the assessee is mainly into manufacturing of various types of horns, i.e., trumpet horns, air horns, disc horns, buzzers. The horn, per se cannot be said to be a core auto component and therefore, if we go by the distinction drawn by the safe harbor rules as point of reference or understanding the what is core and non-core components, then the products of the assessee falls in the category of non-core auto components. The distinction between core and non-core auto components assumes great significance in analysing the FAR analysis, because specific characteristics of the auto component manufactured and sold commands different terms of price negotiations, margins, and kind of assets deployed in terms of technology, R & D, skilled man power, etc. A core component definitely commands higher price and bigger bargaining power in the automobile industries as compared to manufacturers who are producing simply ancillary parts and non-core products like wind shields, horns, car accessories, etc. If we go by the components manufactured by some of the comparable companies as discussed by the DRP, like, Imperial Industries Ltd. it is seen that it is mostly engaged in manufacturing of radiator and heater hoses, fuel and vacuum hoses, fuel injection tubes, CRDi tubes, hydraulic tubes, EGR and Belfows. It manufactures various parts of engine, transmission system, breaks etc. which all form part of the IC engine part which is known as fluid transmission products used for internal combustion. These products are the core part of any auto components for running and transmission and therefore without these products, the vehicle cannot perform or run.*

*20. Thus, all these comparable companies are manufacturing core components which are the vital for the running and performance of the vehicle. The distinction between the core and non-core component in an automobile industry assumes great importance, because manufacturing of a core component can definitely command much higher price looking to its utility in the vehicle and use of high-end technology and highly skilled human resources as compared to non-core auto component manufacturers. The FAR analysis of the core and non-core in automobile industries are different and that is why statute has recognised this difference and has been introduced in Safe Harbor Rules, though brought from prospective date. But such a distinction can always acts like a guide in deciding the difference in FAR and comparability analysis. The reasoning given by the DRP for rejecting this comparables are based on sound principles and are thus upheld. Accordingly, the transfer pricing adjustment made by the TPO based on such comparables cannot be sustained and hence same are directed to be deleted."*

21. It is observed that in the aforesaid judgment, the Co-ordinate Bench has held that though the Safe Harbor Rules are not opted even, in such circumstances, the same can be taken as a guiding factor for determination of the ALP and, accordingly,

we hold that since the assessee is manufacturing core-auto components and, therefore, the comparables should be taken which are operated in the same field.

22. Now coming to the issue of exclusion of certain comparables out of final set of comparables as argued by the assessee, each of the comparable is discussed as under:

23 (i) **Vega** is one of the leading helmet manufacturers in India and is engaged in manufacturing of safety helmets and accessories. The Ld. AR drew our attention to the Annual report of the company wherein the description of the companies products are stated by the management. After going through the same and further considering the financials of the company it is observed that its main revenue is from the manufacturing helmets. Thus, considering these facts, we of the considered view that this company since engaged in manufacturing of non-core auto component and, therefore, it is not a valid comparable and thus, we direct the AO / TPO to exclude this comparables from the final set of comparables.

24. (ii) **Studds Accessories Limited ('Studds')**- As per the assessee, it is one of the leading two wheeler helmet manufacturer in India and is engaged in manufacturing of helmets and two wheeler accessories. The Annual report of the company placed before us, also are affirmed this fact and as per its financials its majority of revenue is from sale of helmets and two wheeler accessories which is its primary and only business segment. Therefore, Ld. AR requested for exclusion of this comparable from the final set of comparables.

24.1. On the other hand, Ld. CIT-DR vehemently supported the order of the AO and TPO.

24.2. After considering the arguments of both the parties, and from the perusal of the annual report of the company, it is observed that product manufactured by 'Studds' are not core auto component as defined in the report of the IBEF, herein above as per which, core auto component are bifurcated into six segments and manufacturing of helmets and related accessories have not fallen under any segment, therefore, we direct the AO/TPO exclude this comparable from the final set of comparables.

25. **Nipco South India Manufacturing Private Limited ('Nifco')**: The Ld.AR submits that this company is manufacturing plastic components for automobiles which is evident from its annual report. This include air vents, center facia panels, fasteners, etc. The Ld. AR submits that these parts are non-core auto components and thus are not fallen under basis segments of auto component industry reported by IBEF. It is therefore, requested to exclude this company from the final set of comparables.

25.1. On the other hand, the Ld. CIT-DR submits that this company is engaged in the Manufacturing of auto parts used in the four wheelers and, therefore, it cannot be held as non-core auto component company. Ld. CIT DR thus, requested that this is a valid comparables.

25.2. On careful consideration arguments put forth by both the parties, it is observed that admittedly Nifco is manufacturing of plastic components which are used in the automobiles which fact was never been doubted. Merely because these parts are made of plastics and are not forming part of the primary components without which the vehicle cannot moved, it cannot be said that these are non-core auto component more particulars they are included in the "other segment" as defined by the IBFF

report relied upon by the assessee itself. Accordingly, we are of the considered view that this company cannot be excluded on this score.

25.3. However, alternate argument of the assessee is that this company fails the RPT filter of significant more than 25% related party. From the perusal of the table given in the written submission of the assessee, it is observed that in the year and also in preceding two assessment years, this company has more than 25% related party transactions, therefore, on the score, the assessee succeeds. Accordingly, we direct the AO /TPO to exclude this comparable from the final set of comparables.

26. With respect to the **Eicher Motors Limited ('Eicher')**, after considering the arguments of both the parties and on carefully consideration of the facts, it is observed that this company is manufacturing of two wheelers (motorcycles) motorcycles and commercial vehicle as well as spare parts also. Its business also includes financing of vehicles and its after sales service whereas the assessee is manufacturing shock absorbers which is a minor part of entire vehicle and thus even if we broadly considered, it is functionally dissimilar. Moreover, as per its Annual report, automotive segment is its primary and only business segment and its major revenue is from the sale of Motorcycles and commercial vehicles. Accordingly, we direct the AO/TPO to exclude this company from the final set of comparables.

27. **Special Engineering Services Limited ('Special Engineering')**- After hearing both the parties, it is observed that this company is engaged in the manufacturing for railway locomotives products such as locomotive footsteps, cable trays, steel louvres for ventilation in locomotives, filter assembly, electrically panels and cablings, etc. These are not the core-auto components and highly specialize items manufactured for railways and not for the use of two wheelers auto industry.

Therefore, this company cannot be taken as a valid comparable. Accordingly, we direct the AO to exclude this company from the final set off comparable.

28. With the above discussions, Grounds of appeal No. 2 & 3 are allowed.

29. In the result, the appeal of the assessee is allowed.

Order pronounced in the open Court on 27.05.2026.

Sd/-  
**(MADHUMITA ROY)**  
**JUDICIAL MEMBER**

Sd/-  
**(MANISH AGARWAL)**  
**ACCOUNTANT MEMBER**

Dated: 27.05.2026

*\*PK, Sr. P.S.\**

Copy forwarded to:

1. Appellant
2. Respondent
3. CIT
4. CIT(Appeals)
5. DR: ITAT

**ASSISTANT REGISTRAR**  
**ITAT NEW DELHI**