IDFC First Bank Limited v. State of Maharashtra & Ors.

Scrutiny, audit and a DRC-07 demand order pursued for years against three companies long after their amalgamation and cancellation of registration, notwithstanding repeated intimation. At issue: the validity of proceedings conducted throughout against a n

Date of Order:	May 17, 2026
Case Law No:	GIB-BHC-2026-76
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CASE DESCRIPTION / SUMMARY

Background.

By order dated 12.12.2018 of the NCLT, Chennai, Capital First Limited, Capital First Home Finance Ltd. and Capital First Securities Ltd. were amalgamated with the petitioner. An application for cancellation of CFL's registration was filed on 21.01.2019 and the cancellation order was passed on 14.06.2019. The department nevertheless issued ASMT-10 scrutiny, an ADT-01 audit notice for FY 2018-19, an audit report in ADT-02 alleging eighteen discrepancies, DRC-01A intimations, a DRC-01 show cause notice dated 30.12.2023 and finally a DRC-07 order dated 26.04.2024, all in CFL's name, notwithstanding repeated intimations and a request to transfer the proceedings to the jurisdictional officer of the amalgamated entity.

Observations of the Court.

The Court recorded that the facts of amalgamation and the legal consequence on the existence of CFL were undisputed, leaving no doubt that CFL was a non-existent entity, and that no proceedings qua that entity could be adopted against the petitioner.

It extracted and adopted its own reasoning in Vodafone Idea Ltd. and paragraphs 16 to 18 of the Delhi High Court's judgment in HCL Infosystems Ltd., including the holding that under Section 87 the liabilities of the non-existent company in any case stand transposed to be borne by the amalgamated entity, so that this is not a case where the revenue stands to lose its right to subject the transactions to tax.

Final verdict.

Both petitions were allowed and rule was made absolute in terms of prayer clause (a), quashing the impugned order. The Court expressly observed that it had not examined any other issue, and kept open all contentions of the petitioner as well as the department in relation to any other steps that may be required to be taken in law.