

# Commissioner of Income Tax, Bombay and Others v. Mahindra and Mahindra Limited and Others

Civil Appeal No. 3685 of 1982

[1983] 3 SCR 773 | 1983-09-02

**Whether the historical section 72A recommendation and Central Government refusal were reviewable despite their subjective-satisfaction character, and whether the finding that ITCI was financially viable immediately before amalgamation and the challenge to public-interest satisfaction could survive scrutiny.**

72A(1)(a)–(c), as introduced with effect from 1 April 1978 (declaration and conditions) | 72A(2)(ii) (Specified Authority certificate)

Two-judge bench | V.D. Tulzapurkar, J. | D.P. Madon, J.

Assessment years: 1979-80, 1980-81

## **Historical section 72A regime; distinct from loan-waiver cases**

This 1983 decision concerns judicial review of an amalgamation-relief refusal under the original section 72A declaration/certificate regime. Financial non-viability was judged immediately before amalgamation on this record; neither temporary sickness nor later recovery defeated relief automatically. The Court affirmed consequential directions, not a quantified or universal deduction. Indian Shaving Products later considered a different SICA/BIFR mechanism. Comprehensive later treatment, present-law status and 2025 mapping are not verified.

## 01 FACTS OF THE CASE

International Tractor Company of India Ltd. (ITCI), a manufacturer of agricultural tractors, was amalgamated with Mahindra and Mahindra Ltd. (M&M) effective from 1 November 1977. ITCI had suffered substantial losses, exhausted its capital and reserves, faced dishonoured payments and stopped supplies, and could obtain no further institutional finance. The Court described it as commercially insolvent at 31 October 1977. The Bombay High Court sanctioned the scheme on 9 March 1978 after shareholder approval; the earlier MRTTP approval expressly did not constitute approval required under any other law (physical pages 7–10/SCR 779–782).

M&M applied on 27 April 1978 for the Central Government declaration under the newly introduced section 72A, seeking the benefit for AY 1979–80, with previous year 1 November 1977 to 31 October 1978. Under that historical scheme the declaration depended on financial non-viability immediately before amalgamation, public interest and any additional notified conditions. No condition under clause (c) had been specified. A separate section 72A(2)(ii) certificate concerning rehabilitation steps had to accompany the return (physical pages 10–11).

The Specified Authority's recommendation, dated in the report as May/June 2, 1980, and the Central Government's order of 1 December 1980 refused relief because ITCI was said to be financially viable. The Delhi High Court quashed both, directed disposal of the application within six months, required consideration and issue of the certificate within one month after the declaration, and directed that the certificate when furnished be treated as filed with the return. The Revenue challenged that judgment of 7 May 1982 in Civil Writ Petition 99 of 1981 through Civil Appeal 3685 of 1982 (physical pages 7, 11–12).

Source: See the proposition-specific paragraph and PDF-page references below.

## 02 DISCUSSION BY THE HON'BLE COURT

Subjective satisfaction did not exclude judicial review. The Court reaffirmed intervention where a decision is perverse, is one no properly informed reasonable body could reach, follows a misdirection or wrong approach, or is influenced by irrelevant or extraneous material. The authority must address pertinent matters and genuinely exercise its own discretion. This was review for legally defective decision-making, not a general licence to substitute a court's preferred commercial assessment (physical pages 14–15/SCR 786–787).

The purpose of the original section 72A was to facilitate revival of sick industrial units through amalgamation with sound ones and avoid the social costs of closure. Financial non-viability referred to temporary adverse financial circumstances disabling the undertaking from operating on its own; it did not require basic or permanent incapacity for revival. The Court looked to the commercial understanding of sickness, including profitability, liquidity and solvency, and to the several business and institutional criteria discussed in the judgment. It expressly declined to decide the appeal by the Government's 23 February 1981 guidelines because they postdated the challenged decisions (physical pages 17–20).

The authorities had wrongly equated temporary liquidity problems with financial viability and assumed that M&M could supply enough money without amalgamation. Under the then Companies Act limits, M&M could advance only another Rs.50 lakhs against ITCI's requirement exceeding Rs.5 crores; sections 370 and 371 could not be ignored. Nor could post-amalgamation repayments, investment and the resulting Rs.3.9 crore cash profit prove viability immediately before 1 November 1977. On the record, all three commercial parameters were negative and the contrary conclusion was at least one no reasonable, properly informed body could reach (physical pages 20–22).

Other reasons also failed. A statement in ITCI's company petition about sound finances referred to the earlier accounts at 30 September 1976, not the relevant 31 October 1977 position, and had to be read with both company petitions. The causes of losses, including price controls and weak demand, did not establish viability. The agreed share-exchange ratio was neutral on these facts. For the commercial net-worth assessment the Court distinguished book-value net worth from market-value current worth; importing the latter to show that this operating concern was financially viable introduced irrelevant material (physical pages 22–24).

Public interest was not left open for a fresh adverse determination. The pleadings, admitted threat to essential-commodity production and employment, avoidance of idle capacity and public expenditure, and the Authority's own meeting minutes established that this condition had been accepted. The refusal rested only on clause (a). The record also showed adequate revival steps and continuation of the same business without modification or reorganisation (physical pages 24–25).

Source: See the proposition-specific paragraph and PDF-page references below.

### 03 JUDICIAL DECISION

The Court confirmed the High Court's judgment and its operative directions, modifying the application-disposal period to three months from the Supreme Court judgment, instead of six months. Assessment proceedings for both AYs 1979-80 and 1980-81 were to proceed only after the Central Government declaration and Specified Authority certificate had issued. The Revenue's appeal was dismissed with costs in favour of the contesting respondent M&M (physical pages 25–26/SCR 797 H–798 B).

Source: See the proposition-specific paragraph and PDF-page references below.

### 04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Assessee/company M&M

Revenue appeal dismissed with costs in favour of M&M; quashing and consequential directions affirmed, with three-month disposal period substituted

Reasoned historical section 72A and judicial-review holding; implementation through the declaration and certificate remained directed

The Court did not itself quantify a tax deduction or grant an unconditional benefit to every amalgamation. The decision concerns the original declaration/certificate regime and this record, with public-interest satisfaction established.

Source: See the proposition-specific paragraph and PDF-page references below.

### 05 AKHB REVIEW POINT

Keep the statutory version, relevant date and decision-making evidence together. A commercially revivable unit could be financially non-viable under this incentive provision; successful revival after amalgamation did not disprove its earlier sickness. The record, lawful availability of funding and purpose of the statutory condition mattered more than labels, isolated company-petition language or asset revaluation.

A bounded later primary check of Indian Shaving Products (3 January 1996), physical pages 8–11, expressly quotes the 1983 Mahindra reasoning but applies the later SICA/BIFR route. That is useful historical continuity, not proof that the 1983 administrative mechanism remains current. This case must also be kept distinct from later same-title loan-waiver litigation: its subject is amalgamation loss/depreciation relief and review of the refusal, not taxation of a waived loan.

Source: See the proposition-specific paragraph and PDF-page references below.

### PROPOSITION-SPECIFIC SOURCE PARAGRAPHS AND PDF PAGES

1.

**Topic:** Identity, date, bench, appeal and judicial opening

**Source url:** [Open cited source](#)

**Pdf pages:** 1; 7

**Paragraphs:** SCR 773 heading; 779 B–D

**Source role:** reported metadata and judicial text

2.

**Topic:** Financial condition, separate amalgamation approvals, historical section 72A and AY

**Source url:** [Open cited source](#)

**Pdf pages:** 8; 9; 10; 11

**Paragraphs:** SCR 780–783

**Source role:** judicial text

3.

**Topic:** High Court operative directions

**Source url:** [Open cited source](#)

**Pdf pages:** 12

**Paragraphs:** SCR 784 A–F

**Source role:** judicial text

4.

**Topic:** Grounds and limits of judicial review

**Source url:** [Open cited source](#)

**Pdf pages:** 14; 15

**Paragraphs:** SCR 786 F–787 G

**Source role:** judicial text

5.

**Topic:** Purpose, temporary sickness, commercial criteria and refusal to apply 1981 guidelines

**Source url:** [Open cited source](#)

**Pdf pages:** 17; 18; 19; 20

**Paragraphs:** SCR 789 G–792 F

**Source role:** judicial text

6.

**Topic:** Wrong financial assumptions, post-merger results, contextual admission and net worth

**Source url:** [Open cited source](#)

**Pdf pages:** 20; 21; 22; 23; 24

**Paragraphs:** SCR 792 G–796 F

**Source role:** judicial text

7.

**Topic:** Public-interest record and exact modified directions, two years and costs

**Source url:** [Open cited source](#)

**Pdf pages:** 24; 25; 26

**Paragraphs:** SCR 796 G–798 B

**Source role:** judicial text

8.

**Topic:** Later direct citation and later SICA/BIFR route

**Source url:** [Open cited source](#)

**Pdf pages:** 8; 9; 10; 11

**Paragraphs:** SCR 38 E–41 B

**Source role:** bounded later judicial treatment

## JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

V.D. Tulzapurkar, J.

## ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961 (section 72A as introduced by the Finance (No. 2) Act, 1977)

## OTHER STATUTORY PROVISIONS AND THEIR SEPARATE SCOPE

Finance (No. 2) Act, 1977: insertion of section 72A; Companies Act, 1956: sections 370 and 371 (then lending limits and penal consequences); sections 391 and 394 (amalgamation proceedings); Monopolies and Restrictive Trade Practices Act, 1969: sections 23(2) and 54 (separate approval); Essential Commodities Act, 1955: agricultural tractors as an essential commodity

## SOURCE & VERIFICATION

[Hon'ble Supreme Court source PDF \(reported judgment\)](#)

Identified source rendition: 26 PDF pages; SHA-256

0df8318819de2b843b9423de25c2fc02ea6517368e433ebff6b8949a12ad0c2c. Original bytes preserved.

Unnumbered judicial body begins physical page 7/SCR 779 D and ends page 26/SCR 798 B. Pages 1–6 and opening page 7 are reporter headnotes, followed by appellate metadata. No neighbouring judgment.

[Open cited source rendition](#)

This is the 2 September 1983 section 72A case, not later same-title loan-waiver litigation.; The primary identifies a single Civil Appeal 3685/1982. AY 1980-81 occurs in the final direction and is retained alongside AY 1979-80.; The Specified Authority order is printed as May/June 2, 1980; this note does not invent a more precise single date.; The commercial tests and book-value discussion belong to the historical section 72A question and this record, not a universal present-day solvency rule.; The 1981 guidelines are expressly not applied. The public-interest condition was found satisfied on the record, not waived.; The declaration, certificate and deemed timely filing directions survive; the Supreme Court substitutes a three-month period. Costs are specifically for the contesting respondent M&M.

AY 1979-80 and previous year 1 November 1977 to 31 October 1978 are expressly identified at physical page 11. The final direction at page 26 expressly covers assessment proceedings for both 1979-80 and 1980-81. Earlier 1974-75, 1975-76 and 1976-77 figures describe ITCI's financial performance, not additional assessment years adjudicated here.

## STATUTORY SCOPE

No automatic mapping to the Income-tax Act, 2025 and no present-law certification. Identify the applicable statutory version and procedural route separately.

## LATER TREATMENT

Source checked 2026-10-04. not\_verified. Actual bounded direct citing-case check: Indian Shaving Products Ltd. v. BIFR, [1996] 1 SCR 31, physical cover page 1 and judicial pages 8–11/SCR 38–41. It reproduces Mahindra's section 72A purpose and financial-nonviability reasoning and then addresses the later SICA/BIFR mechanism. No comprehensive citation history, current statutory position or 2025 mapping is claimed.

**IDENTIFIED SOURCE LINKS**

[reported judgment - PDF pages: 26](#)

SHA-256: 0df8318819de2b843b9423de25c2fc02ea6517368e433ebff6b8949a12ad0c2c

[later judgment bounded check - PDF pages: 11](#)

SHA-256: c2e5e3426101b5d4b542b2243ca2ce2681bd43850ddf1ed1fde9b1b2e772a7f8

**AI DISCLOSURE**

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