

M/s RHI Magnesita India Limited

Appellate Authority for Advance Ruling — Haryana

HAAAR/2023-24/05 Date: 22.05.2026

Dated 22.05.2026

Q Questions Before the Authority

- Whether the Applicant is entitled to avail credit on the services received for undertaking Qualified Institutional Placement (QIP) from HSBC Securities and Capital Markets (India) Pvt. Limited.

F Facts

The appellant, a manufacturer of refractory products, raised capital through a Qualified Institutional Placement (QIP) process. They engaged HSBC Securities and Capital Markets (India) Pvt. Ltd. to manage the issuance and incurred various professional service costs. The funds raised were utilized for two purposes: repayment or pre-payment of existing borrowings and investment in the equity shares of their wholly-owned subsidiary, Dalmia OCL Limited (DOCL).

H Ruling

ITC on services for QIP

Admissible in part

Admissible for funds used for debt repayment; inadmissible for funds used for investment in a subsidiary.

The Appellate Authority held that the input tax credit (ITC) is admissible only to the extent that the services are attributable to the portion of funds utilized for the repayment or pre-payment of borrowings. Conversely, the authority ruled that ITC is not admissible for the portion of services attributable to the investment in the subsidiary, as that activity is not in the course or furtherance of the appellant's business.

R Reasoning

The authority relied on Section 16(1) of the CGST Act, which restricts ITC to goods or services used in the course or furtherance of business. It reasoned that debt repayment improves the financial health of the appellant and is thus incidental to its business operations. However, it concluded that investment in a subsidiary is a distinct activity that does not have a direct nexus with the appellant's own taxable business, thereby failing the **course or furtherance of business** test for that specific portion.

P Provisions Relied On

Section 16(1) of the CGST Act, 2017

Section 2(17) of the CGST Act, 2017

Section 97 of the CGST Act, 2017

Section 100 of the CGST Act, 2017



For the Practitioner

This ruling provides a **bifurcated approach** to ITC eligibility for capital raising expenses. It helps practitioners argue for ITC on professional fees when funds are used for debt management, but warns that such credit will be denied for the portion of expenses linked to inter-corporate investments. It emphasizes the necessity of establishing a direct nexus between the input service and the taxpayer's own business operations.

Source

Summary prepared from the published order, which is a scanned document. It is a reading aid and not the authority: where the two differ, the order governs. Verify every provision against the original before relying on it.

Original order: www.gstcouncil.gov.in -> [rhi_magnesita_india_limited.pdf](#)

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