While subsidiary companies are separate legal entities, the corporate veil may be lifted where associated companies are inextricably connected so as to form one concern

The **Supreme Court** in the case of **Alpha Corp Development Pvt Ltd vs Greater Noida Industrial Development Authority [Civil Appeal No. 1526 of 2023] dated May 05, 2026**, has held that while subsidiary companies are separate legal entities, the corporate veil may be lifted where associated companies are inextricably connected so as to form one concern. Since in the present case, Earth Infrastructures Limited (EIL) EIL was the main driving force behind the development of all three Greater Noida Industrial Development Authority (GNIDA)-linked projects, GNIDA was aware of that position, and the subsidiary/SPC entities were only a front, the Court held this to be an eminently fit case for lifting the corporate veil.

The Court explained that although GNIDA remained entitled to recover its principal dues, its failure to monitor the projects, delay in taking steps against defaults, and lack of diligence during the CIRP disentitled it from claiming penal interest, penal charges and time-extension penalties at this stage.

The Apex Court therefore held that the NCLAT erred in setting aside the approved plans, and hence, restored the resolution plans of Alpha and Roma, directed GNIDA to recalculate dues excluding penal components, and allowed payment of those recalculated dues over twenty-four months. The plans were to proceed from June 01, 2026, and registrations in favour of allottees were to be undertaken only after GNIDA's dues were fully paid, with GNIDA's participation, so as to confer sub-lease status on buyers.

The Court also emphasised that since Earth Copia was on freehold land in Gurugram and had nothing to do with GNIDA, the NCLAT was wrong in allowing the approval of Alpha's plan for that project to be affected by GNIDA's challenge. Accordingly, the Supreme Court allowed the appeals filed by Alpha, Roma and supporting buyer associations, restored the resolution plans, dismissed GNIDA's appeals, and held that GNIDA's recalculated non-penal dues were to be paid by Alpha and Roma in 24 equated monthly instalments, with the first payment due on or before July 07, 2026.

The Court found that GNIDA was informed of the CIRP and of the inclusion of development rights over the project lands in that process, but failed to act with diligence or within the timelines contemplated by the Code. It held that GNIDA had contributed greatly to the situation by persistent inaction and ineptitude, and had failed to monitor development, failed to take timely coercive steps despite defaults and complaints from buyers, and later sought to portray itself as an uninformed victim.

The Court also observed that GNIDA could not credibly claim ignorance of EIL's role in the projects. GNIDA knew that EIL was undertaking development on all three leased lands, including through approvals, communications and the structure of the Earth Towne arrangement itself. The Court accepted the position that, ordinarily, holding and subsidiary companies are distinct legal entities, but held that this was a fit case for lifting the corporate veil because the associated entities were inextricably connected and EIL was the real driving force in development and in payment of GNIDA dues, while the subsidiary companies were only a front.

The Court further held that GNIDA’s own lapses disentitled it from levying penal interest, penal charges and time-extension penalties, though it remained entitled to recover the principal amounts due after excluding those penal components. It recorded that both successful resolution applicants, Alpha and Roma, were willing to clear GNIDA’s dues without burdening the homebuyers, and treated that commitment as significant while restoring the plans.