

**CUSTOMS, EXCISE & SERVICE TAX APPELLATE  
TRIBUNAL  
BANGALORE**

REGIONAL BENCH - COURT NO. 1

**Central Excise Appeal No. 20843 of 2018**

[Arising out of Order-in-Appeal Nos. BEL-EXCUS-000-APP-MS-064  
to 073-2017-18 dated 15.12.2017 passed by the Commissioner of  
Central Tax (Appeals), Belgaum]

**M/s. The Ugar Sugar Works Ltd.**

Ugar Khurd, Tal. Athani  
District: Belgaum

**Appellant(s)**

**VERSUS**

**Commissioner of Central Tax and  
Central Excise, Belgaum**

No. 71, Club Road  
Belgaum – 590 001

**Respondent(s)**

**With**

**Central Excise Appeal No. 21443 of 2018**

[Arising out of Order-in-Appeal No. BEL-EXCUS-000-APP-MS-107-  
2018-19 dated 25.05.2018 passed by the Commissioner of Central  
Tax (Appeals), Belgaum]

**M/s. The Ugar Sugar Works Ltd.**

Malli Village, Yedrami  
Tal. Jewargi,  
District: Belgaum

**Appellant(s)**

**VERSUS**

**Commissioner of Central Tax and  
Central Excise, Belgaum**

No. 71, Club Road  
Belgaum – 590 001

**Respondent(s)**

**APPEARANCE:**

Mr. J.N. Somaiya, Advocate for the Respondent

Mr. Maneesh Akhoury, Assistant Commissioner (AR) for the Appellant

**CORAM: HON'BLE DR. D.M. MISRA, MEMBER (JUDICIAL)  
HON'BLE PULLELA NAGESWARA RAO, MEMBER  
(TECHNICAL)**

**Final Order Nos. 21897 - 21898 /2025**

DATE OF HEARING: 18.11.2025  
DATE OF DECISION: 18.11.2025

**PER: D.M. MISRA**

These two appeals are filed against the respective Orders-in-Appeal passed by the Commissioner of Central Tax (Appeals), Belgaum, since involve common issues, these are taken up together for hearing and disposal.

2. Briefly stated the facts of the case are that the appellants are engaged in the manufacture and clearance of sugar and molasses falling under Chapter 17 of Central Excise Tariff Act, 1985. They availed credit of duty paid on inputs, capital goods and service tax during the relevant period. Sugar cane is the main raw materials; on crushing of the sugar cane, bagasse and press mud are obtained as byproducts. Bagasse is used as fuel for generation of steam in the appellants' factory, which in turn used in the captive power plant, for generation of electricity. The electricity so generated partly consumed within the factory and a portion of it was sold outside to power distribution companies for consideration. Alleging that inputs / input services are used commonly in the manufacture of dutiable final products sugar and molasses and also in relation to generation of electricity which was cleared to power distribution companies on consideration; Revenue held the view that to the extent of cenvat credit availed on the inputs and input services attributable to quantity of electricity sold to outside agencies is not eligible to credit. Since separate records were not maintained, 6% of the value of the electricity sold has been demanded along with interest and penalty. On adjudication, the demands have been confirmed with penalty. Aggrieved by the said orders, they filed appeals before the learned Commissioner (Appeals), who in turn rejected their appeals. Hence, the present appeals.

3. The learned advocate for the appellants has submitted that during the course of manufacture of sugar and molasses, bagasse is generated in the form of a byproduct / waste product, which is used to generate steam and in turn used in

the generation of electricity. They have availed credit on inputs, GTA service and on other input services which were used in the manufacture of sugar and molasses, the bagasse which is generated as by-product / waste product and used in the generation of electricity, provisions of Rule 6 of CENVAT Credit Rules cannot be made applicable to such by-products / waste products. In support, they have relied upon the judgment of the Hon'ble Supreme Court in the case of **UOI Vs. DSCL Sugars Ltd. 2015 (322) ELT 769 (SC)**. Further he has submitted that following the aforesaid judgment, this Tribunal in the case of **Shree Doodhganga Krishna Sahakari Sakkare Karkhane Niyamit [Final Order Nos. 21104-21105/2023 dated 18.09.2023]** decided the issue in favour of the assessee. He has also referred to various judgments of the Tribunal and High Court including the judgment of jurisdictional High Court of Karnataka in the case of **Shamnur Sugars Limited Vs. CCE, Bangalore [2023 (6) 459 – KARNATAKA HIGH COURT]**. He has also submitted that the appellants have reversed the proportionate cenvat credit involved on common inputs and input services used in generation of electricity. A statement in this regard has been filed during the course of hearing.

4. Learned AR for the Revenue reiterated the findings of the learned Commissioner (Appeals). He has not disputed the reversal of cenvat credit.

5. Heard both sides and perused the records.

6. The short issue involved in the present appeals for consideration is, whether 6% of the value of the electricity sold, generated out of by-product/waste product viz. bagasse be subjected to demand under Rule 6(3)(i) of the CENVAT Credit Rules, 2004. This Tribunal in the case of **Shree Doodhganga Krishna Sahakari Sakkare Karkhane Niyamit** (supra) has considered the issue and taking note of the judgment of the Hon'ble Supreme Court in the case of **UOI Vs. DSCL Sugars**

**Ltd.** (supra) and the Board's Circular No. 1084/05/2022-CX dt. 07/07/2022, held that demand of 6% of the value of electricity sold cannot be sustained. Following the aforesaid order of this Tribunal and also the judgment of the jurisdictional High Court in **Shamnur Sugars Limited's** case (supra), the impugned orders are set aside and the appeals are allowed with consequential relief, if any, as per law.

(Operative portion of the order was pronounced in  
open court on conclusion of hearing)

**(D.M. MISRA)**  
**MEMBER (JUDICIAL)**

**(PULLELA NAGESWARA RAO)**  
**MEMBER (TECHNICAL)**

iss...