सत्यमेव जयते	**APPELLATE AUTHORITY FOR ADVANCE RULING, RAJASTHAN GOODS AND SERVICES TAX NCR BUILDING, STATUE CIRCLE, C-SCHEME JAIPUR – 302005 (RAJASTHAN) Email :aaarjpr@gmail.com**	राष्ट्र कर बाजार

ORDER NO. 02/2026-27 DATED 20.05.2026

Before the AAAR comprising of:

1. ShriHarmeet Singh Narang, Member (Central Tax)
2. Smt. Anandhi, Member (State Tax)

Name and address of the appellant	M/s SBF Ispat Private Limited, Plot No. G-143-151, F-109-117, General Zone Industrial Area, Karoli, Bhiwadi, District-Alwar - 301707, Rajasthan
GSTIN/ UID of the appellant	GSTN – 08AAOCS6177P1Z9
Issue under appeal	Section 97(2) (d) of CGST Act, 2017:- admissibility of input tax credit of tax paid or deemed to have been paid
Date of personal hearing	15.05.2026
Present for the appellant	ShriRajaramYadav, Director and Shri Ajay K. Mishra, Advocate & Authorised Representative
Details of appeal	Appeal No. RAJ/AAAR/07/2025-26 against Advance Ruling Order No. RAJ/AAR/2025-26/19dated 23.01.2026

(Proceedings under Section 101 of the Central GST Act, 2017 read with Section 101 of the Rajasthan GST Act, 2017. The provisions of Central GST Act, 2017 and the Rajasthan GST Act, 2017 are *pari-materia* barring a few exceptions. Therefore, unless a specific mention is made to such dissimilar provisions, a reference to the Central GST Act, 2017 should also be read as a reference to corresponding provisions of the Rajasthan GST Act, 2017)

This order relates to an appeal filed under Section 100 of the Central Goods & Services Tax Act, 2017 (hereinafter referred to as 'the CGST Act, 2017') read with Section 100 of the Rajasthan Goods & Services Tax Act, 2017 (hereinafter referred to as 'the RGST Act, 2017') on 23rd February, 2026 by M/s SBF Ispat Private Limited, Karoli, Bhiwadi (hereinafter referred to as 'the appellant') against Order No. RAJ/AAR/2025-26/19 dated 23rd January, 2026 passed by the AAR, Rajasthan. The appeal has been filed within the prescribed time of 30 days of communication of the Ruling.

BRIEF FACTS OF THE CASE

The facts of the case, as submitted by the appellant M/s SBF Ispat private Limited, are that the appellantis engaged in manufacture of different types of steel, namely, TMT Bars (HSN 72142090) and MS Billets (HSN 72071920) and is in the

process of setting up of 20.5 MW (AC) capacity Solar Power Project for "captive use" in the Solar park of M/s SBF Ispat Pvt. Ltd. in village-KitasarBhatiyan, Tehsil-Sri Dungargarh, District-Bikaner, which has been declared as 'additional place of business' within the state of Rajasthan by the appellant holding single GSTIN 08AAOCS6177P1Z9.

2. The appellant submitted that Electricity/power generated from the Solar Power Plant shall be fully consumed for production of taxable goods i.e. TMT Bars (HSN 72142090) and MS Billets (HSN 72071920) leviable to GST @18% and there is no third party sale of the electricity. As per the appellant, the electricity generated from Solar Power Plant shall be transferred to RVPN/ DISCOM, who shall provide the credits for energy generated, which shall be adjusted against the actual energy consumed in the factory. Accordingly, electricity bill shall be generated by RVPN/DISCOM, wherein the actual consumption of electricity in factory shall be stated and it shall be reduced by the electricity produced by Solar Power Plant installed by the appellant.

3. The appellant applied for advance ruling before the AAR, Rajasthan and the AAR, vide Order No. RAJ/AAR/2025-26/19 dated 23rd January, 2026, gave its ruling as under-

Q1. Whether, the applicant is eligible to avail input tax credit of GST paid on inputs/capital goods or input services used in Design, Engineering, Installation of 20.5 MW of the Solar Power Plant as per the Rajasthan Integrated Clean Energy Policy, 2024 (RICEP) standards, wherein, the generation of electricity from such solar plant is used for captive consumption;

Answer:-*The applicant is not eligible to avail input tax credit of GST paid on inputs, capital goods or input services used in design, engineering, erection, installation, commissioning and operation of the solar power plant, as the solar power plant is used for generation of electricity, which is an exempt supply under GST, and the inward supplies are attributable to such exempt supply.*

Q 2. Whether the applicant is eligible to take input Tax credit as 'inputs/capital goods' or 'input services' of the items enlisted in "Annexure-B" of this application in terms of Section 16 and 17 of the CGST/RGST/IGST Act; and

Answer- *The applicant is not eligible to avail input tax credit on the items listed in Annexure-B, whether treated as inputs, capital goods or input services, since such goods and services are used for setting up and operation of the solar power plant, the output of which is electricity, an exempt supply, and therefore credit is restricted under Section 17(2) read with Section 17(5) of the CGST/RGST Act, 2017.*

Q3. Whether the capital goods and inputs used in setting up/erection/commissioning/installation of the solar power plant constitute "Plant and Machinery" under the ambit of Section 17(5) of the CGST/RGST Act, 2017 and further as the said power plant is used in the manufacture of steel, whether, the same is used or intended to be used in the course or furtherance of the business of manufacturing Steel and hence, not blocked input tax credit under section 17(5) of the CGST/RGST/ IGST Act?"

Answer: - *The capital goods and inputs used for setting up, erection, commissioning*

and installation of the solar power plant don't qualify as "plant and machinery" used for making taxable outward supplies and it is not eligible for ITC as the solar power plant is used for generation of electricity, which is an exempt supply. Accordingly, input tax credit on such goods and services is blocked under Section 17(5)(c) and Section 17(5)(d) of the CGST/RGST Act, 2017.

APPELLANT's SUBMISSIONS

4.Being aggrieved with the aforesaid Ruling dated 23rd January, 2026, the appellant has filed an appeal before this appellate authority, submitting therein as under-

A. Input Tax Credit (ITC) of GST paid on inputs/capital goods or input services used in Design, Engineering, Installation of Solar Power Plant is admissible

(i) The impugned ruling denying ITC to them in the present case is wrong as it is not based on correct appreciation of legal provisions, besides, being at variance with the judicial pronouncements on the subject matter.

(ii) The activity of manufacturing of steel and its outward supply by the appellant constitutes business in terms of the definition As per Section 2 (17) of the CGST/RGST Act, 2017. The raw material 'steel scrap' is melted in electric furnaces operated by use of electricity. Also no part of the electricity generated in the solar power plant is intended to be sold by them.

(iii) As per agreement entered into with RVPN/DISCOM energy generated from the Solar Power Plant will be transferred to RVPN/DISCOM and further RVPN/DISCOM shall provide the credits of energy generated which shall be adjusted against the actual energy consumed in the factory of the Appellant.

(iv) The entire electricity produced shall be used in manufacture of steel products in their factory. Thus, electricity produced in solar power plant is not an outward supply for them as defined under clause (83) of section 2 of the CGST/RGST Act, 2017.

(v) The Solar Power Plant is a capital asset in terms of Section 2 (19) of the CGST/RGST Act, 2017.

(vi) The position as to the compliance with the conditions prescribed in Section 16 of the Act for entitlement to ITC is undisputed in the present case. Similarly, eligibility of solar power plant as 'plant and machinery as used in Explanation to section 17(5) of the Act has not been disputed, either.

(vii) The appellant are engaged into taxable outward supply of steel products manufactured by them and the electricity produced/generated in solar power plant is not supplied by them, but, used exclusively for production of steel products, thus, the electricity generated in solar power plant is used in the course of or furtherance of business. Accordingly the provisions of said section 17 of the Act and/or Rule 43 of the CGST/RGST Rules providing for the manner of determination of input tax credit in respect of capital goods and reversal thereof in certain cases are not attracted in the present case. Thus, the Ld. Authority has grossly erred in ruling that no ITC is admissible in respect of inward supplies of goods and services for installation and commissioning of the solar power plant on the reasoning that the outward supply of electricity is exempt.

Rajasthan Appellate Authority For Advance Ruling GST

B. Electric energy produced in solar power plant is not a stand-alone or distinct activity rather, an intermediate product used exclusively for self consumption in the manufacture of steel products, therefore, ITC not deniable as the supply of final products is taxable

(i) The manufacture of final products essentially requires electricity, therefore, entire process of conversion of raw material into final products is covered under the ambit of "---in the course of or furtherance of business" entitling them to ITC of GST paid on inputs, input services and capital goods for installation and commissioning of solar power as generation of electricity is also used for the processing of raw materials resulting into production of steel products, which are supplied on payment of appropriate GST. The electricity so generated is used in the course or furtherance of business. Reference in this regard can be made to paragraphs 29 of the decision in Maruti Suzuki Limited v. Commissioner of Central Excise, Delhi III [(2009) 9 SCC 193]=[2009 (8) TMI 14-Supreme Court], which read as follows:

"29. In J.K. CotonSpg. &Wvg. Mills Co. Ltd. v. STO this Court held that the expression "in the manufacture of goods" should normally encompass the entire process carried on by the dealer of converting raw material into finished goods. It was further held that where any particular process (generation of electricity) is so integrally connected with the ultimate production of goods, that, but for such process, manufacture of goods would be inexpedient, then goods required in such process would fall within the expression "In the manufacture of goods".

(ii) In the matter of Commissioner of Central Excise and Service Tax Versus M/s. Ashok Leyland Ltd.2019 (1) TMI 430 - Madras High Court =2019 (369) E.L.T. 162 (Mad.), the High Court affirmed Cenvat credit for windmill expenses under Rule 2(l) by upholding the Tribunal's decision, affirming the entitlement of the assessees to avail Cenvat credit for lease rentals and operations and maintenance of windmills. The Court found a sufficient nexus between the electricity generated at the windmills and the manufacturing process, dismissing penalties and interest imposed by the Revenue.

(iii) Similarly, in TheKisan Cooperative Sugar Factory Ltd. Versus Commnr. Central Excise, MEERUT-1-2023 (12) TMI 1303 Supreme Court, it was held that in view of the settled legal position, the interpretation of the expression "used in or in relation to manufacture" is of a very wide import and takes within its scope and ambit all items used in the process of manufacture whether directly or indirectly and whether contained in the final product or not. The items used for maintenance of plant and machinery are also items used in the manufacture of finished goods. Hence, credit on the items used for maintenance, repair, upkeep or fabrication of plant and machinery are admissible to the assessees.

(iv) The applicability of the ratio of above decisions to the present proceedings cannot be dismissed on the ground that these were rendered in the context of existing law for the reason that the definition of 'inputs', 'input services' and

'capital goods' are more expansive under the GST law in comparison to definitions given in Cenvat Credit Rules, 2004.

(v) In view of the above submissions, the electricity generated in the solar power plant used exclusively in the manufacture of steel products is not a separate or distinct supply, hence, the bar under section 17 providing for inadmissibility of ITC on goods and services used in exempted supply does not apply in the present case. The ITC of GST paid on inputs, Input services and capital goods used in installation/commissioning and operation of solar power plant is rightfully admissible as the electricity generated therefrom is used exclusively in the manufacture of steel products, which are supplied on payment of GST.

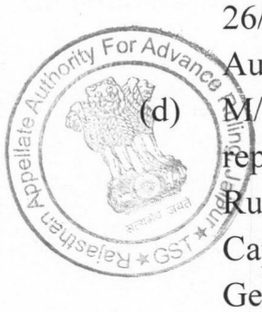
C. Established position of law that ITC of GST paid on inputs, input services and capital goods used in installation, commissioning and operation of solar power plant admissible

(i) The Appellant placed reliance on following rulings/decisions in support of the claim that ITC is admissible in respect of inputs, input services and capital goods used in erection/commissioning/installation and operation of solar power plant:

(a) M/s. KLF Nirmal Industries (P) Ltd vide Order No. 19/ARA/2021 dated 18-06-2021 reported at 2021 (8) TMI 141 Authority For Advance Ruling, Tamilnadu-ITC is eligible in case of purchase of Solar plant used for captive consumption.

(b) M/s. Pristine Industries Limited - Order No. RAJ/ ARA/ 2021- 22/16 dated 13-09-2021-reported at 2022 (2) TMI 1044- Authority For Advance Ruling, Rajasthan-Appellant is eligible to take ITC on inputs/capital goods/input services used for setting up of 'Solar Power generating Plant for generation of electricity for captive consumption, in the business of manufacturing PP/HDPE Woven sacks and ITC is not blocked under Section 17 (5)(d) of GST Act, 2017.

(c) M/s. ShriKeshav Cements and Infra Limited Order No. KAR ADRG 26/2019 dated 12th Sep, 2019 -reported at 2019 (10) TMI 570 - Authority For Advance Ruling, Karnataka



(d) M/s. Kumaran Oil Mill-Order No. 33/AAR/2020 dated 28-09- 2020 reported at 2020 (10) TMI 808 - Authority For Advance Ruling,Tamilnadu- Appellant is eligible for input credit of inputs, Capital goods and services relating to setting up of Solar Power Generation Plant for captive consumption.

(e) M/s. Grand Centre Mall-2025 (7) TMI 1180 – Authority For Advance Ruling, Kerala

(ii) In para-18 of the impugned ruling, the Ld. authority has acknowledged that the different authorities have ruled that solar power plant constitutes "plant and machinery" and that electricity generated therein is used in the course of or furtherance of business of manufacturing taxable goods. However, in para 19,

the authority has ruled that such rulings do not have precedential value. The assertion made by the authority, the rulings cited by the appellant have persuasive value and, since, the facts and the issue involved are identical as acknowledged in para-17, the authority ought to have considered findings of the cited rulings and give ruling either, agreeing with the ratio thereof or distinguishing it. The findings recorded in para-20 of the impugned ruling that cited rulings do not appear to have examined in detail the provisions contained in Section 17(2) and Rule 43 are also wholly incorrect as these aspects have been duly considered in cited cases, while, ruling that ITC is admissible in respect of inputs used for installation/commission and operation of solar power plant for generation of electricity, which is subsequently used in the manufacturing of taxable goods.

D. ITC cannot be denied on the reasoning that the solar power plant is located at a different place than the place of manufacture of goods, where electricity is consumed

(i) It is difficult to comprehend the actual intent of the authority, it is assumed that the authority intended to deny ITC also on the reasoning that there is no captive consumption of electricity since the solar power plant and the factory of production, where, electricity is consumed are located at different locations and that electricity generated by the solar power plant is first injected into common grid and is later drawn at the factory. The assertions made by the authority are wrong and inconsistent with the legal provisions as well as the established position of law.

(ii) Unlike the erstwhile law, wherein, credit of duty paid on inputs used in generation of electricity was admissible in case of captive consumption, no such stipulation has been made under the GST law. Nevertheless, both, the place of manufacturing i. e. factory as well as the place where solar power plant is located are registered under the GST law as the principal place of business and additional place of business having single GST registration, in the present case. Therefore, the consumption of electricity at factory by way of drawing equal amount of units generated and injected into common grid from the solar power plant located at a different place cannot by stretch of any imagination be considered as distinct activity.

(iii) Notwithstanding the legal position under the erstwhile, Cenvat Credit Rules providing for admissibility of cenvat credit on inputs used for generation of electricity consumed captively, credit has been allowed in such cases holding that the power plant located at a place other than factory is also a captive power plant. Reliance in this regard is placed on following judgements:

Rajasthan Appellate Authority For Advance Ruling

(a) Commissioner of GST and Central Excise, Madurai Versus The Ramco Cements Limited-2026 (1) TMI 574 - CESTAT Chennai, it was held the Hon'ble Supreme Court in Vikram Cement v. CCE (2006 (1) TMI 130 Supreme Court] has clearly held that Inputs or services need not be used within the factory premises so long as they are integrally connected with

the manufacturing activity The Hon'ble Bombay High Court in Endurance Technology Pvt. Ltd. [2015 (6) TMI 82-Bombay High Court] and the Hon'ble Madras High Court in Ashok Leyland Ltd. [2019 (1) TMI 430-Madras High Court] have affirmed the Larger Bench view, holding that denial of credit merely on the ground of geographical distance would defeat the objective of the CENVAT scheme and renewable energy policy. The Department's argument that electricity is routed through the grid does not dilute the nexus, since the fact of equivalent electricity being consumed in the factory is undisputed - CENVAT credit of service tax paid on maintenance and repair of windmills located outside the factory premises is admissible under Rule 2(1) of CCR, 2004.

(b) Ajanta Transistors Clock Mfg. Co. [2025 (11) TMI 1936- Gujrat High Court [Para 21]

(c) Commissioner of Central Goods and Service Tax, Jaipur Versus Shree Cement Limited- 2018 (9) TMI 822 - Rajasthan High Court.

(d) Principal Commissioner, CGST and Central Excise, Bhubaneswar Versus M/s. Indian Metal and Ferro Alloys Limited, Odisha-2024 (9) TMI 384 - Orissa High Court.

(e) M/s. India Cements Limited Versus Commissioner of Customs, Central Excise & Service Tax, Tirunelveli.-2024 (2) TMI 302- Madras High Court -2024 (390) E.L.T. 170 (Mad.), (2024) 134 GSTR 1.

(f) Thiagarajar Mills (P) Ltd 54 GSTR 420 (Mad) dt. 24.04.2018 = 2018 (8) TMI 1562 - Madras High Court.

(g) Commissioner of Central Excise and Service Tax Versus M/s. Ashok Leyland Ltd.-2019 (1) TMI 430- Madras High Court -2019 (369) E.L.T. 162 (Mad.).

(h) Commissioner of Central Excise and Service Tax Versus M/s. Ashok Leyland Ltd.-2019 (1) TMI 430-MADRAS HIGH COURT=2019 (369) E.L.T. 162 (Mad.)

(i) Rajhans Metals Pvt. Ltd. (2025 (11) TMI 1439-Gujrat High Court

Rajasthan Appellate Authority For Advance Ruling ★ GST ★

PERSONAL HEARING

5. Personal hearing in the matter was held on 15.05.2026 in physical made on request of the appellant. ShriRajaramYadav, Director and Shri Ajay K. Mishra, Advocate & Authorised Representative appeared for personal hearing and explained the case and reiterated the submissions as put forth in appeal. They have also submitted additional submission during the hearing, wherein they stated as under-

A. Judicial discipline as per the settled position of law and precedent deserves to be followed:

A.1 The issue involved in the present proceedings i. e. the admissibility of Input Tax Credit ('ITC') in respect of inputs and capital goods used for setting up, installation, operation of Solar Power Plant generating electric power at a place other than the place, where, taxable goods are manufactured is fairly settled by a catina of

judgement by the Hon'ble Supreme Court of India, various High Courts and the CESTAT, wherein, the ITC has been consistently held admissible. A few of the landmark decisions rendered in this context are:

1. Maruti Suzuki Ltd. vs. Commissioner of Central Excise Delhi-III, 2009 (240) ELT 641 (S.C.)
2. 2006 (1) TMI 130 - Supreme Court=2006 (194) ELT 3 (SC)-VIKRAM CEMENT Versus CCE, INDORE
3. Commr. Of C. Ex. Vadodara vs. Gujarat State Fertilizers & Chem. Ltd., 2008 (229) ELT 9 (S.C),
4. Collector of Central Excise vs. Solaris Chemtech Limited, 2007 (214) ELT 481 (S.C.),
5. CCE & ST, Jaipur Vs Shree Cement Limited-2018 (9) TMI 822=2018 (16) G.S.T.L. 196 (Raj.) - RAJASTHAN HIGH COURT
6. Commr. Of C.Ex.& CUS, Vadodara-II vs. Indeos ABS Limited, 2010 (254) ELT 628 (Guj)
7. Commissioner of CUS. & Central Excise, India vs. Jindal Polyester, 2014 (305) ELT 43 (All.),
8. M/s. India Cements Limited Vs CCE & ST, Tirunelveli-2024 (2) TMI 302 - MADRAS HIGH COURT
9. M/s Hindustan Zinc Ltd. Versus CCE & ST, Udaipur- 2026 (1) TMI 951 - CESTAT NEW DELHI

A.2 ITC admissibility has also been ruled in rulings by the AAR/AAAR as cited in the grounds of appeal.

A.3 The jurisdictional State Tax Department has also opined that the ITC is admissible in the stated facts of the case.

A.4 The principle of judicial discipline requires following the judicial precedents rendered, albeit, in the context of Cenvat/Modvat Credit under the existing law for, the relevant legal provisions including the definition of inputs, place of supply and place of business are identical or expansive.

DISCUSSION AND FINDINGS

6. We have carefully considered the material and evidences available on record, the Order dated 23rd January, 2026 of the Rajasthan Authority for Advance Ruling, the written submissions of the appellant and also oral submissions made at the time of personal hearing held on15th May, 2026.

ne appellant is engaged in manufacture SN 72071920) and is in the process of nt place within the state of Rajasthan, of business'. Energy generated from the umed in the factory by way of transfer plant to RVPN/DISCOM and further energy generated and transferred which nsumed in the factory of the appellant ne electricity bill shall be generated by electricity in factory shall be stated and

7. We observe that as claimed by them, t and supply of TMT Bars and MS Billets (HS setting up of Solar Power Project at a distan which has been declared as 'additional place o solar power plant wherein the electricity cons of electricity generated from solar power p RVPN/DISCOM shall provide the credits of e shall be adjusted against the actual energy co (refer section 2 (83) of the act. Accordingly, t DISCOM wherein the actual consumption of e

it shall be reduced by credit given for the transfer of solar energy generated(electricity) produced by solar power plant installed by the appellant.

8. We observe that the appellant sought for advance ruling raising three questions and the AAR, Rajasthan gave ruling vide Order No. RAJ/AAR/2025-26/19 dated 23rd January, 2026. First question of the appellant was whether, the appellant is eligible to avail input tax credit of GST paid on inputs/capital goods or input services used in Design, Engineering, Installation of the said Solar Power Plant. The AAR found that the appellant is not eligible to avail input tax credit of GSTas the solar power plant is used for generation of electricity, which is an exempt supply under GST, and the inward supplies are attributable to such exempt supply. The second question raised by the appellant was whether the appellant is eligible to take input tax credit as 'inputs/capital goods' or 'input services' of the items listed in "Annexure-B" of the application in terms of Section 16 and 17 of the CGST/RGST/IGST Act. The AAR has answered this question also in negative on the ground that the output is electricity, an exempt supply. In the third question, the appellant asked as to whether the capital goods and inputs used in setting up the solar power plant constitute "Plant and Machinery" under the ambit of Section 17(5) of the CGST/RGST Act, 2017 and further as the said power plant is used in the manufacture of steel, whether, the same is used or intended to be used in the course or furtherance of the business of manufacturing Steel and hence, not blocked input tax credit under section 17(5) of the CGST/RGST/ IGST Act. The AAR ruled that the capital goods and inputs used for setting up the solar power plant don't qualify as "plant and machinery" used for making taxable outward supplies and it is not eligible for ITC as the solar power plant is used for generation of electricity, which is an exempt supply and accordingly, input tax credit on such goods and services is blocked under Section 17(5)(c) and Section 17(5)(d) of the CGST/RGST Act, 2017.

9. We observe that the ruling of the AAR, Rajasthan is mainly based on the ground that the immediate output of the solar power plant is electricity, which is an exempt supply. Further, as regard appellants contention of captive consumption of the electricity produced by the solar plant, the AAR found that the electricity is intangible and the solar plant being remotely situated, it is not possible to verify the specific units of electricity generated by the plant and the same units are consumed in the factory. On the other hand, the appellant has contested that electric energy produced in solar power plant is an intermediate product used exclusively for self-consumption in the manufacture of steel products as the whole electricity produced in the solar power plant will be transferred to grid of RVPN/ DISCOM and further the DISCOM shall provide the credits of energy generated which shall be adjusted against the actual energy consumed in their manufacturing plant.

Appellate Authority For Advance Ruling Rajasthan GST

10. We find that for deciding the case on hand, thefollowing basic aspects need to be answered.

(i) Whether the activity of generation and transfer of electricity from solar power plant to grid of RVPN/ DISCOM can be treated as 'supply' under GST.

(ii) Whether the electricity generated by the appellant in remotely situated solar power plant can be treated as captively consumed or not.

11. We observe that on point (i) above, the appellant has argued that the entire energy generated from the Solar Power Plant will be transferred to RVPN/DISCOM and further RVPN/DISCOM shall provide the credits of energy generated which shall be adjusted against the actual energy consumed in the factory of the Appellant. It may

be noted that the premises of the solar power plant and that of the factory are situated in different districts of the State. They argue that since the entire electricity generated will be consumed by the appellant at their factory, the electricity produced at the solar power plant is not an outward supply for them irrespective of the physical distance between the two premises. The term 'outward supply'is defined in the GST vide Section 2(83) of the CGST Act, 2017 and means supply of goods or services (or both), whether by sale, transfer, barter, exchange, license, rental, lease, or disposal, made or agreed to be made in the course or furtherance of business.We find that a reading of section 7 with section 2 (83) of the CGST Act 2017 shows that the feeding of electricity into the DISCOM grid by the appellant constitutes a 'supply' for the following concurrently operating reasons:

(i) The appellant has himself characterised the arrangement as a 'transfer of credits in lieu of electricity.' This is a description of an exchange, a mode of supply explicitly enumerated under Section 2(83). The appellant is bound by this characterisation.

(ii)The DISCOM credits constitute consideration within Section 2(31)- **"consideration"** in relation to the supply of goods or services or both includes—

(a) any payment made or to be made, whether in money or otherwise, in respect of, in response to, or for the inducement of, the supply of goods or services or both, whether by the recipient or by any other person but shall not include anysubsidy given by the Central Government or a State Government;

(b) the monetary value of any act or forbearance, in respect of, in response to, or for the inducement of, the supply of goods or services or both, whether by the recipient or by any other person but shall not include any subsidy given by the Central Government or a State Government:

Provided that a deposit given in respect of the supply of goods or services or both shall not be considered as payment made for such supply unless the supplier applies such deposit as consideration for the said supply"

RVPN/DISCOM provide credit for the energy generated and transferred which shall be adjusted against the actual energy consumed in the factory. Accordingly, electricity bill shall be generated, a benefit of monetary value flowing to the appellant in response to the supply of electricity. Consideration need not be monetary under GST law.

(iii)No wheeling and banking agreement with DISCOM or RVPN has been placed on record. In its absence, the transaction between the appellant and the DISCOM is a bilateral arrangement, whereby the appellant transfer electricity to the DISCOM; the DISCOM supplies electricity to the appellant's steel mill. The credits mechanism is the mode of payment for the appellant's transfer. Therefore, the title in the electricity passes to the DISCOM upon injection into the grid. The case laws and precedents cited by the appellant on this point differ from the case at hand because in those cases, a wheeling and banking agreement was in existence.

We find that unlike Central Excise era, electrical energy is an outward supply in GST regime. Electrical Energy was though classifiable under sub-heading No. 2716 00 00 of Central Excise Tariff Act, 1985. However rate of duty leviable on such electrical energy was not indicated in the tariff. Therefore, electrical energy generated by whatever mode was not chargeable to central excise duty. However, in the GST

regime electricity is charged to 'NIL' rate of tax in terms of Sl. No. 104 of Notification No. 02/2017-CT(Rate) dated 28-06-2017.

12. As regard the second aspect as to whether the electricity generated by the appellant in remotely situated solar power plant and wheeled out to grid can be treated as captively consumed or not, we find that once the power is transferred to the grid of RVPN/DISCOM by the appellant, it is treated as supply to a different entity. In light of the aforesaid discussions the consumption of power lateron from grid and adjustment against the credits in exchange of the power supplied to grid, cannot be construed as captively consumed, as the power is generated elsewhere.The 'same GSTIN' principle also does not assist the appellant, since the supply runs not from one unit to the other, but from the appellant to the DISCOM, which is a third party. We find that in the case of India Cements Ltd., Vs. Commissioner of Customs, Central Excise & Service Tax, Tirunelveli (2024) 21 Centax 269 (Mad.), the Hon'ble Madras High Court (Madurai Bench) has held that "*the use of the term 'captive' is, in our view a qualification of the location where it is generated and not of the location where it is used*". The said decision of the Hon'ble High Court was also upheld by the Hon'ble Apex Court [2024(390) ELT 145(SC)].

13. We observe that the appellant has argued that the electricity generated in solar power plant is used in the course of furtherance of their business, hence, ITC of GST paid on inputs, input services and capital goods is admissible. The appellant has relied upon case law of Maruti Suzuki Limited Vs. Commissioner of Central Excise, Delhi-III [2009(8)TMI 14-SC. We have gone through the case law and find that in the case of Maruti Suzuki the issue before the Hon'ble Court was admissibility of CENVAT credit on 'Naphtha' used as fuel to run gas turbine in their factory itself, whereas, in the instant case electricity is to be generated in remotely situated solar power plant and to be wheeled out in GRID. Thus, the ratio of the case law is not applicable in this case.

The appellant has also relied upon case law of Commissioner of Central Excise and Service Tax Vs M/s Ashok Leyland Limited [2019(1)TMI 430-Madras High Court. From this case law we find that the said decision is based on the findings that whatever energy was generated by the assessee in their windmills had been the equal quantity of electricity drawn from the power grid. Whereas, in the instant case the quantity of electricity generated at the solar power plant and the quantity to be used is not so far clear. Therefore, we find that the ratio of the case law of Commissioner of Central Excise and Service Tax Vs M/s Ashok Leyland Limited is also not applicable in this case.

Other case laws cited by the appellant are also distinguishable being based on different facts and circumstances and thus, ratio of the same is also not applicable in this case.

14. The appellant has also cited some rulings of various advance ruling authorities. We find that these rulings neither have precedential value as per the provisions of Section 103 of the CGST, Act, 2017 nor are binding on this appellate forum.

15. From the above, we hold that as the Solar Power Plant forms part of the business of the appellant, the generation and transfer ofelectricity from the solar power plant to the RVPN/DISCOM grid will be treated as a 'supply' as per the GST provisions, in GST regime the rate of tax on supply of electricity is nil as per SI no. 104 of notification no. 02/2017 (Rate) dated 28.06.2017 hence the provisions of

Section 16& 17 of the CGST Act, 2017 and the Rule 42 & 43 of the CGST Rules, 2017 are applicable at the time and place of the supply of the power to grid from the solar power plant. Thus, the appellant is not eligible to avail input tax credit of GST paid on inputs, capital goods or input services used in design, engineering, erection, installation, commissioning and operation of the solar power plant, in question.

16. In view of the above discussion and findings, we have no reason to interfere in the ruling given by the AAR, Rajasthan vide Order No. RAJ/AAR/2025-26/19 dated 23rd January, 2026. Accordingly, we pass the following order-

ORDER

We uphold the Order No. RAJ/AAR/2025-26/19 dated 23rd January, 2026 passed by the AAR, Rajasthan and reject the appeal filed by the appellant.

(Harmeet Singh Narang)
Member (Central Tax)

(Smt. Anandhi)
Member (State Tax)

SPEED POST

To

M/s SBF Ispat Private Limited,
Plot No. G-143-151, F-109-117, General Zone Industrial Area,
Karoli, Bhiwadi, District-Alwar (Rajasthan)-301707

F. No. IV (16)06/AAAR/RAJ/2025-26/179 Date- 20.05.2026

Copy to:-

1. The Chief Commissioner of CGST (Jaipur Zone), NCR Building, Statue Circle, Jaipur.
2. The Chief Commissioner of SGST, Rajasthan, KarBhawan, Bhawani Singh Road, Ambedkar Circle, Jaipur-302005.
3. The Commissioner, CGST Commissionerate, Alwar.
4. The Secretary, Rajasthan Authority for Advance Ruling, Goods and Service Tax, KarBhawan, Bhawani Singh Road, Ambedkar Circle, Jaipur-302005.
5. The Deputy/ Assistant Commissioner, Central GST Division-Tijara,Bhiwadi, Distt- Alwar (Rajasthan).
6. The Deputy/ Assistant Commissioner, State Tax Department, Circle–B, Zone Bhiwadi, Divisional KarBhawan, Bhiwadi, Distt-Alwar (Rajasthan)
7. The web-manager - www.gstcouncil.gov.in
8. Guard File.