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TARIFF AUTHORITY FOR MAJOR PORTS

G.No. 69 **New Delhi,** **17 February 2016**

NOTIFICATION

In exercise of the powers conferred by Sections 48 and 49 of the Major Port Trusts Act, 1963 (38 of 1963), the Tariff Authority for Major Ports hereby disposes of the proposal received from the IFFCO Kisan Bazar and Logistics Limited (IKBLL) for fixation of tariff for barge jetty operated by it at the Kandla Port Trust (KPT) as in the Order appended hereto.

(T.S. Balasubramanian)
Member (Finance)

Tariff Authority for Major Ports

Case No. TAMP/55/2013-KPT

IFFCO Kisan Bazar and Logistics Limited (IKBLL) ------- Applicant

QUORUM

(i). Shri. T.S. Balasubramanian, Member (Finance)
(ii). Shri. Rajat Sachar, Member (Economic)

O R D E R

(Passed on this 15th day of January 2016)

This case relates to a proposal received from the IFFCO Kisan Bazar and Logistics Limited (IKBLL) for fixation of tariff for barge jetty operated by it at the Kandla Port Trust (KPT).

2.1. The IKBLL had initially filed a proposal vide its letter dated 8 November 2013 for fixation of the upfront tariff for setting up the Barge Jetty at KPT, under the upfront tariff guidelines of 2008.

2.2. Vide the said letter, the IKBLL had, *inter alia,* stated the following:

(i). The KPT and IKBLL have signed a Concession Agreement (CA) on 17 February 2011 to build, operate and maintain barge jetty for unloading its captive fertilisers and fertiliser raw materials for a period of 30 years.

(ii). As per the CA, the KPT has the right to divert third party cargo to the IKBLL captive barge jetty in case of free time available at barge jetty.

(iii). The CA entitles IKBLL to levy and recover tariff from vessel owners/ agents using the project facilities and services, and the owners/ agents of third party cargo handled at the jetty of which a share of vessel related and cargo related charges shall be paid to the latter – depending on the kind of cargo handled.

(iv). The CA further notes that the levy of cargo related charges shall be in line with the upfront tariff notified by TAMP.

2.3. Since the CA between IKBLL and KPT was not found attached to the subject proposal, the arrangement envisaged between KPT and IKBLL was not clear. Therefore, we had vide our letter dated 20 November 2013 requested the IKBLL to furnish a copy of CA. The IKBLL undercover of its letter dated 21 November 2013 has furnished a copy of CA.

3.1. On perusing the proposal and the CA, the KPT, being the landlord port, was requested to clarify certain points vide our letter dated 20 January 2014. After a reminder dated 3 February 2014, the KPT vide its letter dated 19 February 2014 has furnished its reply. A summary of clarification sought by us and the reply furnished by the KPT is tabulated below:

Sl. No.	Clarification sought by us	Reply furnished by KPT
(i).	Section 42(4) of the Major Port Trusts Act, 1963, read with Section 48 ibid requires rates to be notified by this Authority in respect of identified services provided by persons authorized under Section 42(3) ibid. Section 42(3) specifically requires prior approval of the Government for the authorization to be granted by a Port Trust. From the proposal of IKBLL and copy of	Ministry of Shipping, Government of India vide their letter No.PD-11015/5/2007-KPT dated 20 October 2010 had conveyed approval for the project. After approval of Government, KPT had entered into concession agreement with M/s. IFFCO Kisan Bazar & Logistics Ltd. for the subject project. (The copy of MOS letter dated 20 October 2010 conveys the approval of MOS for setting

	Concession Agreement forward by IKBLL, it is not clear whether the authorization granted by KPT to IKBLL for setting up facility of Barge Jetty is under Section 42(3) and the authorization granted is with the prior approval of the Government of India. The KPT to, therefore, clarify whether the authorization granted to IKBLL in the form of Concession Agreement entered on 17 February 2011 is under Section 42(3) of the Major Port Trusts Act, 1963 and with the approval of the Ministry of Shipping in the Government of India.	up of Barge Jetty at Old Kandla on captive use basis to IFFCO).
(ii).	The Ministry of Shipping, Road Transport and Highways (MSRTH) vide its communication No.PR-14019/25/2007-PG dated 12 February 2008 has issued policy direction under Section 111 of the Major Port Trusts Act, 1963 issuing guidelines for upfront tariff setting for PPP projects at Major Port Trust. These guidelines for upfront tariff setting for PPP projects at Major Ports were notified in the Gazette of India on 26 February 2008 vide Gazette No.27. As per clause 1.3.1 of the said guidelines, the guidelines apply to all PPP projects for which bids will be invited by setting tariff caps upfront. It is seen from the Concession Agreement that bids were invited for the proposed project from the interested bidders by the KPT in October 2009. The KPT to clarify specifically the reason for not approaching this Authority for determination of upfront tariff for the proposed project under 2008 guidelines prior to inviting bids as per clause 1.3.1 of the said guidelines.	It is to clarify that the subject project is not a common user PPP Project. It is a project awarded to IKBLL based on the then prevailing Captive Policy Guidelines. Captive Projects are not awarded with the upfront tariff as per the referred Guidelines. Concession Agreement (CA) approved by the Ministry of Shipping, Government of India, stipulates provision for handling of Other Cargo in Article 8.1. Other Cargo has been defined as given below: "Other Cargo" means the dry cargo of other users excluding the containerized cargo. It is provided in the signed CA that in case Jetty is idle, to optimize the capacity utilisation of the jetty, Other Cargo can be handled for other users as instructed by Concessioning Authority. This is in line with the para 7 of check list for Captive facilities. Thus, this being a handling of the cargo on common users basis, the provision has been incorporated in the Article 8.1 as follows: *"Further, the Concessionaire shall collect the Cargo handling Charges at the rates approved by the TAMP for handling Other Cargo through the mechanized facility as set out in Appendix 12 and applicable from time to time and shall pay to the Concessioning Authority 25% of the same as Royalty."* Thus, considering the above stipulated provision in the signed CA as approved by MOS, the rates for Other Cargo are required to be approved by TAMP.
(iii).	Page 2 of the Concession Agreement states that bids for the project were invited from shortlisted parties under the captive use policy of the Government. We are not in receipt of captive use policy of the Government. The KPT to, therefore, forward a copy of the captive use policy	Captive Policy Guidelines downloaded from the website of the Ministry of Shipping is furnished.

	communicated by the Government to the KPT and other Major Ports.	

3.2. Since the reply furnished by the KPT did not pointedly respond to the clarification sought by us, the KPT was requested vide our letter dated 10 March 2014 to furnish further clarification. The KPT vide its letter dated 15 April 2014 has responded. Further clarification sought by us and reply of the KPT thereon is tabulated below:

Sl. No.	Clarification sought by us	Reply furnished by KPT
(i).	The reply furnished by the KPT does not address the specific clarification sought by us. The KPT to again pointedly clarify whether the authorization granted by the KPT to IKBLL in the form of Concession Agreement is under section 42(3) of the Major Port Trusts Act, 1963 and is with the approval of MOS.	The authorization granted by KPT to M/s. IFFCO Kisan Bazar & Logistics Ltd. for "Setting up of Barge Jetty on Captive Use Basis at Kandla Port" is in the form of concession agreement under section 42(3) of the Major Port Trusts Act, 1963 and is with the approval of Ministry of Shipping, GOI.
(ii).	In response to information sought at para 3.1 (iii) of the said letter dated 20 January 2014, the KPT has forwarded a copy of the captive policy of the Government stated to have been downloaded from the website of the MOS. On perusing the said document it is seen that the document relates to the guidelines governing Private Sector Participation in Major Ports and appears to be relating to the period prior to setting up of tariff regulatory framework in the form of TAMP. The KPT to, therefore, forward the relevant captive use policy issued by the Government of India as referred in para 2 of the Concession Agreement entered between the KPT and IKBLL .	Captive Policy Guidelines forwarded to TAMP vide KPT letter dated 19 February 2014 as Annexure C is the relevant captive use policy issued by Central Government on 26 October 1996 i.e. Guidelines to be followed by Major Port Trusts for Private Sector Participation in the Major Ports which covers, the Captive Use Policy referred in Para 2 of the concession agreement entered between KPT and M/s. IKBLL, with heading "Captive Facilities for Port Based Industries".

4.1. As stated earlier, the proposal filed by IKBLL in November 2013 was based on tariff guidelines of 2008. In this context, at the request of the IKBLL, a meeting with the officials of the KBLL and KPT was held on 28 February 2014 at the premises of this Authority. Based on the outcome of the meeting, the IKBLL was requested vide our letter dated 10 March 2014 to recast the proposal and file a revised proposal within the scope of the CA by 30 April 2014. In view of this position, the proposal dated 8 November 2013 filed by IKBLL was treated as returned.

4.2. In the meanwhile, the IKBLL vide its letter dated 3 March 2014 proposed to withdraw its earlier proposal dated 08 November 2013 and made a mention that it would submit a revised proposal by following TAMP 2005 Guidelines. The IKBLL has also, *inter alia,* stated that revenue share payable to KPT shall be considered in calculation of Tariff.

4.3. In this regard, we have vide our letter dated 10 April 2014 clarified to IKBLL that the proposal to be filed by IKBLL will be processed following the tariff guidelines of March 2005 notwithstanding the submissions made by IKBLL in its letter dated 03 March 2014. Accordingly, the IKBLL was requested to file its revised proposal following tariff guidelines of 2005 as agreed in its letter dated 03 March 2014 within the time frame as agreed by IKBLL.

5. In the meanwhile, the IKBLL vide its letter dated 13 March 2014 has made the following submissions for consideration for exemption of gang labour charges at Mid-stream for the mechanized handling in ship:

(i). As per prevailing rules, shore gang booking is applicable only for Break bulk cargo vessels and no gang booking is required on bulk cargo vessel. Fertiliser and other lose solid cargo are always imported in bulk, where discharging is done by mechanized system using either the vessel crane or floating crane and hence no labour is required in the mid-stream.

(ii). The notional booking of dock labour is not justified considering the fact that the labour is not allowed to work in the mid-stream.

(iii). The National Tribunal has ruled that the deployment of gangs shall be discontinued in case of mechanically handled cargo. The highest Court of the country has also settled the matter, that no charges shall be levied by any organization on public, where no service is rendered.

(iv). In view of above the gang booking charges may be exempted in mid-stream operation for Barges bringing cargo at IKBLL Jetty.

6.1. In this backdrop, the IKBLL had filed a proposal vide its letter 26 April 2014. However, since the proposal was not filed by IKBLL in the prescribed format, the IKBLL was requested vide our letter dated 2 May 2014 to file the cost statements in the prescribed formats. The IKBLL has filed the proposal vide letter dated 12 June 2014 in the prescribed format.

6.2. Since the proposal dated 26 April 2014 of IKBLL did not include the conditionalities governing the proposed Scale of Rates (SOR), we had, while acknowledging the proposal, vide our letter dated 2 July 2014 requested the IKBLL to furnish the proposed SOR complete in all respect alongwith conditionalities governing the rates. Further, since the proposed SOR was seen to include revenue share payable by IKBLL to KPT, it was communicated to IKBLL that this is not a tariff item as it flows from the CA signed between IKBLL and KPT. The IKBLL was also requested to note that its proposal would be processed following 2005 tariff guidelines.

6.3. In this regard, the IKBLL vide its e-mail dated 9 July 2014 has furnished the proposed SOR along with conditionalities. With regard to the point relating to revenue share payable by IKBLL to KPT, the IKBLL has stated that during the meeting held on 28.02.2014 with KPT and IKBLL officials at the office of this Authority, IKBLL had clearly pointed out the inclusion of revenue share in the tariff fixation calculation. IKBLL has also mentioned about the revenue share in the withdrawal letter dated 03.03.2014. Hence, IKBLL has assumed that as per the discussion during the meeting, the revenue share with KPT is acceptable to this Authority and accordingly, the same is incorporated in the tariff fixation calculation, and requested to accord approval for tariff proposed by IKBLL barge jetty so that users are benefited from the IKBLL barge jetty to receive their cargo.

6.4. The highlights of the proposal of IKBLL dated 26 April 2014 and 12 June 2014 and the details of the proposed Scale of Rates filed by IKBLL vide its letter dated 9 July 2014 are summarised below:

(i). IFFCO has proposed to construct captive barge jetty at KPT for unloading its raw materials and imported finished products, to be built, operated and maintained by IFFCO through a Special Purpose Vehicle (SPV) viz “IFFCO Kisan Bazar and Logistics Limited (IKBLL).

(ii). The Fertilizer vessels will be unloaded on high seas using floating cranes. The Floating cranes will load the barges which will bring cargo to IKBLL jetty. The barge jetty will receive barges and excavators would unload barges and move the same directly to storage areas/ adjoining plant.

(iii). The entire area comprising of 36,000 sq. meters allotted by KPT shall be reclaimed and developed for construction of Barge Jetty.

(iv). The New barge jetty shall have an additional spare capacity close to 0.75 – 1 MMTPA, that could be used for handling other non-captive break bulk cargo.

(v). IKBLL shall provide all weather suitable barge jetty (admeasuring 120m long X 20m wide) with berthing facilities for handling barges carrying cargo of 2000 – 5000 MT.

(vi). It is indicated in the CA that the KPT shall have a right to use the IKBLL barge jetty for third party cargo whenever the jetty is not occupied by captive traffic of IFFCO.

(vii). The present proposal relates to fixation of tariff for handling third party cargo at IKBLL.

(viii). In the proposed project the entire operations shall be outsourced by IKBLL to third party, who would undertake the activities on per tonne basis.

(ix). Estimated Traffic:

(a). The IFFCO has handled on an average close to 0.8 MMTPA of cargo at Kandla port and 1.25 MMTPA at Gujarat ports together. A dedicated facility at Kandla port would lead to shift of some traffic from Mundra port to Kandla port, and the expected increase in the imports going forward, IKBLL would be easily able to achieve the 1 MMTPA requirement of the Concession Agreement.

(b). As regards third party cargo, the IKBLL has assumed that there will be a traffic shift of 3-5% in the available capacity/ total general cargo traffic from KPT to IKBLL barge jetty. A shift of 3-5% in KPT traffic to IKBLL would create a 0.85-1.45 MMTPA of additional traffic to IKBL-barge jetty, making the full utilization of the new capacity created.

(c). Accordingly, the total estimated traffic is 2 MMTPA for each of the years 2014-15 to 2016-17 as tabulated below:

(in tonnes)

	Particulars	**2014-15**	**2015-16**	**2016-17**
(i)	**Captive Traffic**	**10,00,000**	**10,00,000**	**10,00,000**
(ii)	**Third Party Traffic of 1 MMTPA**			
	(a). Dry Bulk	7,60,000	7,60,000	7,60,000
	(b). Bagged Cargo	1,30,000	1,30,000	1,30,000
	(c). Timber Logs	1,10,000	1,10,000	1,10,000
	Total Third Party Traffic	**10,00,000**	**10,00,000**	**10,00,000**
	Total Traffic Projected	**20,00,000**	**20,00,000**	**20,00,000**

(x). Capital Expenditure:

(a). IKBLL has made a capital investment of ₹38.7 cr. out of which ₹17.8 cr was invested in creation of jetty and remaining sum of ₹20.9 cr was invested in upliftment of the back-up area to support activities at the jetty.

The figure of ₹17.8 cr is ignored for the calculation of return on capital as it relates to berth cost and user will be charged as per the KPT SOR for the berth hire charges. Thus, for tariff fixation, the capital expenditure comprises of the total expenditure done by IKBLL on creation of backup area i.e. ₹20.9 Cr only. The breakup of the capital expenditure is tabulated below:

(in ₹)

	Particulars	**Estimates**
(A)	**FACTORY BUILDING {3.57%}**	
	(i). Development of back-up area	1,33,326,267
	(ii). Construction of RCC Flooring	17,851,401
	(iii). Construction of site Office Building & other ancillary works	38,096,547

	(iv). Construction of RCC Boundary Wall	1,342,535
	(v). Fixing of Barbed Wire at RCC Boundary wall	89,8904
	(vi). Weighbridge Control Room	2,050,484
	Total (A)	**193,566,137**
(B).	**P & M - WEIGHING EQUIPMENTS {4. 75%}**	
	(i). Weigh Bridge	4,345,913
(C).	**ELECTRICAL INSTALLATION {4. 75%}**	
	(i). Power & Control Cables	3,856,083
	(ii). Power Distribution Board	933,194
	(iii). High Must Lighting System	2,338,984
	(iv). Flame Proof Junction Boxes	135,868
	(iv). Light Pole & Other Electrification Work	1,091,285
	Total (C)	**8,355,415**
(D).	**P&M -FIRE & SAFETY {4. 75%}**	
	(i). Fire Hydrant Pipe Line	1,722,883
	(ii). Water Monitor System	74,960
	Total (D)	**1,797,844**
(E).	**AC/COOLERS {6.33%}**	
	(i). AC	117,000
	(ii). Water Dispenser	8,300
	Total (E)	**125,300**
(F).	**COMPUTER SYSTEM {16.21%}**	
	(i). LAN Connectivity System	1,114,023
	Total (F)	**1,114,023**
	Total (A+B+C+D+E+F)	**209,304,633**

(xi). Operating Cost:

(a). IKBLL will incur operating expenditure on cargo handling operations and other ancillary activities to support the cargo handling process.

(b). IKBLL has planned to outsource the cargo handling operations to third party vendor. By following a competitive bidding process, the lowest rates for handling are as given below:

(Rate per tonne)

Cost of handling (for handling activity)	
Dry Bulk	39.30
Bagged Cargo	56.20
Timber Log	56.20

(c). The IKBLL has also estimated the operating expenses on the other items required to support the handling process along with the justification as given below:

(in ₹)

Particulars	**Inc.%**	**2014-15**	**2015-16**	**2016-17**	**Justification**
Payable to KPT/ CUSTOMS(A)					
License Fee for Land	0%	6,115,979	6,115,979	6,115,979	According to CA

Water front charges	2%	9,538,986	9,729,766	9,924,361	According to CA
Customs Establishment Charges	10%	1,500,000	1,650,000	1,815,000	Obligation as per custom notification gazette; increment as per part experience.
Electricity	3%	2,000,000	2,060,000	2,121,800	Average monthly electricity bill
Total (A)		**19,154,965**	**19,555,745**	**19,977,141**	
Salary & Wages					
Salary & Wages(B)	10%	2,400,000	2,640,000	2,904,000	Cost for 3 shift operators and 1 supervisor; increment as per IKBLL's policy
Security Expenses	10%	1,886,000	2,074,600	2,282,060	Cost of 9 security guard for 3 shifts and 1 supervisor; increment as per IKBLL's policy
Total(B)		**4,286,000**	**4,714,600**	**5,186,060**	
Other Operating Expenses (C)					
Repairs & Maintenance	5%	3,150,000	3,307,500	3,472,875	Normative
Insurance	3%	1,500,000	1,545,000	1,591,350	Estimated expenditure
Other Sundry Expenses	5%	2,025,000	2,126,250	2,232,562	Normative
Total (C)		**6,675,000**	**6,978,750**	**7,296,787**	
Depreciation (D)					
Depreciation		7,787,536	7,787,536	7,787,536	Rates adopted as per companies act
Total (D)		**7,787,536**	**7,787,536**	**7,787,536**	
Total (A+B+C+D)		**37,903,502**	**39,036,632**	**40,247,525**	

(xii). The IKBLL has computed per tonne rate considering 16% ROCE and operating cost per tonne rate as tabulated below:

(in ₹.)

Sr. No	**Particulars**	**2014-15**	**2015-16**	**2016-17**
(i)	Total other operating expenses	37,903,502	39,036,632	40,247,525
(ii)	Total Traffic	2,000,000	2,000,000	2,000,000
(iii)	**Other operating expenses (₹ per metric tonne) (i)/(ii)**	**19.0**	**19.5**	**20.1**
(iv)	**Handling charges per metric tonne (for outsourced activity)**			
(a)	Dry Bulk	**39.3**	**39.3**	**39.3**
(b)	Bagged Cargo	**56.2**	**56.2**	**56.2**
(c)	Timber Log	**56.2**	**56.2**	**56.2**
(v)	**Required return**	16.7	16.1	15.5
(vi)	**TOTAL PER TONNE RATE (in ₹/ tonne)**			
(a)	Dry Bulk ((iii) +(iv) (a)+ (v))	**75.0**	**75.0**	**74.9**
(b)	Bagged Cargo ((iii) +(iv) (b)+ (v))	**91.9**	**91.8**	**91.8**
(c)	Timber Log ((iii) +(iv) (c)+ (v))	**91.9**	**91.8**	**91.8**

(xiii). Proposed tariff:

(a). Considering the tariff computed above, the IKBLL has arrived at the proposed tariff per metric tonne after adding revenue share of 25% payable by it to KPT on cargo handling charges for handling third party cargo. Accordingly, the proposed cargo handling charges computed by IKBLL is tabulated below:

(₹. Per tonnes)

Particulars	2014-15	2015-16	2016-17
Dry Bulk	100.03	99.95	99.90
Bagged Cargo	122.50	122.42	122.40
Timber Cargo	122.50	122.42	122.40

(b). The cargo handling charges proposed in the draft SOR is as follows:

Particulars	2014-15
Dry Bulk	100.03
Bagged Cargo	122.50
Timber Cargo	122.50

(xiv). In the cost statement, the IKBLL has estimated the operating income on the basis of the proposed tariff as given above and the estimated expenses. A summary of cost position furnished by the IKBLL at the proposed tariff is as below:

				(₹ in lakhs)
Particulars	**Estimates for future**			
	2013-14	**2014-15**	**2015-16**	**2016-17**
Operating Income	2055	2053	2053	2053
Operating costs	1392	1403	1415	1428
Depreciation	0	78	78	78
Overhead	--	--	--	--
Operating Surplus / Deficit	663	572	560	547
Capital Employed	2093	2015	1937	1859
ROCE	335	322	310	298
Net Surplus/ Deficit	328	250	250	250
Net Surplus/ Deficit as % of Income	16%	12%	12%	12%
Surplus/ Deficit -average for 3 years	---	12%		

6.5. In accordance with the consultative procedure prescribed, a copy each of the IKBLL proposal dated 26 April 2014 and 12 June 2014 was circulated to KPT and all concerned users/ user organizations, as per the list furnished by the IKBLL, for comments vide our letter dated 2 July 2014. Subsequently, a copy of draft Scale of Rates along with conditionalities furnished by IKBLL vide its letter dated 9 July 2014 was also circulated to KPT and concerned users vide our letter dated 15 July 2014. We have not received any comments from any users / user organizations despite reminders, except from KPT. The comments of KPT vide its letter dated 26 August 2014 was forwarded to IKBLL as feedback information. The IKBLL vide its letter dated 16 April 2015 has furnished its reply.

7.1. A joint hearing on the case in reference was held on 16 April 2015 at the premises of the KPT. At the joint hearing, only the representatives from IFFCO/ IKBLL and KPT were present. The IKBLL has made its submissions.

7.2. Based on the preliminary scrutiny of the proposal, the IKBLL was requested to furnish information/ clarifications vide our letter dated 13 April 2015. The KPT was also requested to furnish certain information/ clarification on the IKBLL proposal, vide our letter dated 13 April 2015. As decided at the joint hearing, both the KPT and IKBLL were requested vide our letters dated 22 April 2015 respectively to furnish their response to the information/ clarification sought by us vide our letter dated 13 April 2015.

8.1. The IKBLL has furnished the information/ clarification sought by us, vide its letters dated 22 April 2015 and 23 June 2015. The IKBLL while furnishing the information/ clarification vide its letter dated 22 April 2015, has also filed its revised proposal. The information / clarification sought by us and the corresponding replies furnished by the IKBLL are tabulated below:

Sr. No.	Information/ clarification sought by us	Reply furnished by IKBLL
I.	**GENERAL :**	
(i).	Para 4.1 of the Executive Summary in the Feasibility Report furnished alongwith the proposal describes the operation of the proposed project. Sub Bullet point number 6 under main bullet point 8 therein states that while SPV is created for the proposed project to undertake civil works, the entire operations (including floating crane installation, jetty operations and maintenance) shall be outsourced by IKBLL to third party who would undertake the activities on per tonne basis. The term "Project" defined in the Article 1.1-Definitions in the C.A. covers designing, engineering, implementation, commissioning, operations, management and maintenance of a Barge jetty of 120m ×20m and backup of area 36000sq.mtr and allied facilities. It does not include operations and maintenance of floating crane. The IKBLL to confirm that its proposal is in compliance with scope of work envisaged in the C.A. and does not cover floating crane operations. The reason for the mismatch/ inconsistency observed in the feasibility report in this regard to be clarified.	It is confirmed that the proposal is in compliance with scope of work envisaged in the C.A. and does not cover floating crane operations. The reference to floating crane is appearing in the context of outsourcing of jetty operations which appears to have been mentioned erroneously. As is commonly known, floating cranes operate at mid sea and not at the barge jetty.
(ii).	Sr. No. 10 under para 3.3.1 – (Scope of the project for construction and operation of captive barge jetty) states that other users may utilize the barge jetty (when not in use by IKBLL) at mutually agreed charges. In this context, IKBLL to give reference of relevant clause of the C.A. which stipulates that the charges for other cargo are to be mutually agreed by the users and the IKBLL. If the C.A. provides for such an arrangement then, IKBLL to confirm whether the concerned users of other cargo have consented to the tariff proposed by IKBLL and substantiate it with documentary evidence.	Article -8.1 (Levy and Recovery of the Tariff) of the Concession Agreement refers to rates for Third Party handling. By mutual agreement, we meant rates are subject to approved Tariff cap.
(iii)	The IKBLL has envisaged to outsource the entire jetty operations to a third party. The scope of work of the third party is to unload the material from Barges and transfer the material directly to Dumpers / Trucks / Trailers of the third party; and, no storage facility will be provided to the third party cargo. As per the feasibility report of the	There is a mistake in Feasibility Report where it is mentioned that, "entire developed area of 36000 sq. mtrs is only for Captive use". It is appreciated that Back up area development was a part of project requirements as per Concession Agreement, necessary to make Jetty operational. This is a common facility required to be used for all types of cargo

	entire developed area of 36000 sq.mtr. is only for captive use. That being so, the return on the sum of ₹20.90 crores invested in upliftment of the backup area and operating expenditure on “other activities” considered to arrive at the proposed tariff, apart from the rates quoted by the third party for entire jetty operation, to be justified. It appears that capital cost of the captive facility and operating cost thereof are loaded on the third party cargo.	namely Captive and Third Party Cargo. Without developing the backup area, the Barge Jetty cannot be made operational on standalone basis.
(iv)	IKBLL to clarify as to why that portion of capital cost and operating cost, if any relevant for third party cargo alone should not be considered along with the rates quoted by the contractor in this exercise.	The project facility as a whole has been developed for handling of 2.0 MMTPA cargo which includes third party cargo. The project cost therefore cannot be separated for third party cargo. As per the Concession Agreement, separate facilities that are exclusively used by third party alone are not envisaged. Moreover, it may also be noted that for the purpose of evacuation of unloaded cargo (whether Captive or Third party) the backup area shall have to be utilized. Therefore, to estimate the tariff for the third-party cargo, the following cost components have been considered 1. Component 1- Capital investment for the upliftment of back-up area to support the activities (both captive and third-party) at the jetty. However, it does not include the cost for the development of proposed warehouses which will be developed exclusively for captive use. 2. Component 2- Operating expenditure on other ancillary activities for both captive and third party (excluding the operating expenditure on cargo handling operations and other ancillary activities to support the cargo handling process as it will be outsourced by IKBLL) 3. Component 3- Operating expenditure on cargo handling operations and other ancillary activities to support the cargo handling process. This activity will be outsourced by IKBLL and will be charged as per the rate quoted by cargo handling agent (per tonne rate). Based on the above costs, the proposed tariff has been computed as given below: {[Component 1 *(1+required rate of return of 16%)+ Component 2)]/total project traffic of 2 MMTPA} + Component 3 It is noted that total traffic of 2MMTPA includes 1 MMTPA of captive cargo and 1 MMTPA of third party cargo. Above methodology ensures that the cost for the development and operation of common facility (i.e. the back-up area) is proportionately distributed between captive and third-party users based on the cargo handled.

II.	**FINANCIAL & COST STATEMENTS**	
(1).	The proposal states that IKBLL has commenced the operation from 16 November 2013. This means the IKBLL has carried out operations at the terminal for 4 & ½ months in the F.Y. 2013-14 (i.e. from 16 November 2013 to 31 March 2014) and also for the entire F.Y. 2014-15. The IKBLL is, therefore, requested to update all the estimates in cost statements with the actual traffic, income, expenses, capital employed for the year 2013-14 based on the audited accounts for the year 2013-14 and for the year 2014-15 based on the draft Annual Accounts duly certified by the Chartered Accountant. The IKBLL to also furnish Audited Annual Accounts for the F.Y. 2013-14 and draft Annual Accounts duly certified by a Chartered Accountant for the year 2014-15. The estimates for the years 2015-16 and 2016-17, to be reviewed and modified, if necessary, based on the actual figures now available.	Actual for the F.Y. 2013-14 has been modified at Format-B based on Audited Accounts. Copy of same is furnished. Actual for the F.Y 2014-15 has been modified at Format-B based on Draft Final Accounts which is yet to be Audited. Copy of the same is furnished. Estimates for F.Y 2015-16, 2016-17 & 2017-18 have been modified based on Actual at Format-B and Tariff Application.
(2).	IKBLL to furnish a statement reconciling the total income, expenses, depreciation, and profit before tax reported in the Audited Annual Accounts 2013-14 and draft Annual Accounts 2014-15 with the income, expenses, depreciation and net surplus before return considered in the cost statement.	Statement of Reconciliation is furnished.
(3).	The cost statement filed by IKBLL vide its letter dated 12 June 2014 includes estimates for the years Y+1, Y+2, Y+3. The year to which the estimates pertains to is not specified in the cost statement. However, on perusing the estimates furnished in its proposal dated 26 April 2014 and cost statement filed in the prescribed format vide its letter dated 12 June 2014, it is seen that estimates pertain to the years 2014-15 to 2016-17. The year 2014-15 is already over. Recognizing the position that the tariff to be approved under the tariff guidelines of 2005 would have three years tariff validity period, the IKBLL to include estimates for 2017-18 as well so as to have tariff prescribed for three years viz. 2015-16, 2016-17 and 2017-18. Else, the tariff approved will be for a truncated period i.e. from the date the tariff approved by this Authority is made effective till 31 March 2017.	The cost statement has been revised incorporating estimates for FY-2015-16, 2016-17 and 2017-18.
(4).	The sum of the estimated expenses furnished for the years 2014-15 to 2016-17 in the Table 11 of Tariff application filed by the IKBLL dated 26 April 2014 does not match with the total operating cost estimated for the corresponding period in	The same has been corrected now. Total operating cost under tariff calculation sheet now tallies with Cost Estimates (Form 3A) of Format B.

<table>
<tr><td></td><td>the cost statements (Form 3A) filed on 12 June 2014. The IKBLL to note that for the purpose of tariff fixation, the estimates furnished in the cost statement in the prescribed format will be taken into consideration.</td><td></td></tr>
<tr><td>(5).</td><td><u>Traffic :</u></td><td></td></tr>
<tr><td>(i).</td><td>The proposal of the IKBLL seeks tariff approval for handling Dry bulk cargo, bagged cargo and the timber log. In order to optimize the use of the facility, Article no 8.1 of the Concession Agreement (CA) entered between IKBLL and KPT, allows IKBLL to handle other cargo as directed by KPT and to levy tariff from owners/ consignee of cargo and vessel owners for using the project/ facility as per the Scale of Rates of KPT notified from time to time. The term “Other Cargo” defined under Article 1.1. of the CA states that other cargo means “dry cargo excluding the containerized cargo”. In view of such explicit definition of other cargo in the C.A, IKBLL to clarify whether its proposal to handle bagged cargo and timber log (which are not treated as dry cargo in port nomenclature) and seeking tariff for the same is in line with the provision of the C.A. The IKBLL to also give reference of the relevant clause of the C.A. which allows IKBLL to handle this two cargo categories (bagged cargo and timber log).</td><td>The Captive Cargo is falling under Dry Bulk Category and the third party cargo can be “dry cargo excluding containerized cargo” as defined. Dry cargo doesn’t mean dry bulk cargo only. By dry cargo, the Concession Agreement only refers to non-liquid and non-containerized cargo.</td></tr>
<tr><td>(ii).</td><td>The IKBLL has stated that it can easily achieve traffic of 1 Million Metric Tonne Per Annum (MMTPA) as required in C.A. as it expects some shift of fertilizer traffic from Mundra port to Kandla port. In this context, IKBLL to furnish actual fertilizer traffic handled by IKBLL at the Barge Jetty in the years 2013-14 and 2014-15 to substantiate the traffic figures.</td><td>The actual fertilizer traffic handled at IKBLL Barge Jetty during the F.Y. 2013-14 and 2014-15 is furnished as given below:<table><tr><th>Captive Cargo handle at Barge Jetty</th><th>Quantity in MT</th></tr><tr><td>16.11. 13 to 31.03.14</td><td>2.68</td></tr><tr><td>01.04.14 to 31.03.15</td><td>9.81</td></tr></table></td></tr>
<tr><td>(iii).</td><td>The basis of projecting “other cargo” traffic at 1 MMTPA for the years 2015-16 to 2016-17 also needs to be substantiated with detailed analysis / working done by the IKBLL.</td><td>The project facility has a total capacity of 2 MMTPA. Of this, 1 MMTPA is utilized by the captive traffic (minimum guaranteed cargo by IKBLL). In order to utilize the remaining capacity of 1 MMTPA, a traffic shift of 3-5% (available capacity/total general cargo traffic of KPT) from Kandla port to IKBLL jetty has been considered. A 3-5% shift in traffic would create a 0.8-1.3 MMTPA of additional traffic to IKBLL -barge jetty, thus fully utilizing the new capacity created. This assumption has been made after observing the growing berth occupancy rates and the pre-berthing detention at Kandla port which are approximately 92% and 3.62 days respectively (way beyond the optimal efficiency levels of 76%). Calculation for FY14 has been provided below.</td></tr>
</table>

		In FY14, capacity of general/ break bulk cargo berths at Kandla was 26.5 MMTPA and the port handled around 26 MMTPA (excluding 1 MMTPA of IKBLL cargo), almost equal to its handling capacity. So, if the traffic is distributed in proportion to the capacity available, IKBLL would get 0.93 MMTPA of general cargo traffic (3.6% (1MMTPA of IKBLL available capacity/ (26.5+1)) of 26MMTPA). Therefore, 3-5% shift which accounts for around 1 MMTPA traffic seems reasonable.
(iv).	With reference to other cargo traffic projected at 1 MMTPA, even the KPT has sought sound basis for the assumption made by IKBLL that 3% to 5% of available capacity/ total general cargo of KPT traffic will shift from KPT to its jetty. IKBLL to furnish the basis for the above assumption. The IKBLL to also furnish detailed working to show that at the above assumed percentage level, the traffic projected for other cargo will work out to 1 MMTPA.	Same as above.
(v).	The IKBLL has projected uniform traffic of 2 MMTPA (at 10 lakh tonnes each towards captive traffic and third party traffic for each of the three years 2014-15 to 2016-17. Normally, the traffic projection shows an increasing trend Year on Year basis. The IKBLL to explain the reasons for not projecting any growth in the traffic projections over the three years period. The IKBLL to examine this point and consider reasonable growth in the traffic projections.	Since the project facility is already expected to handle 2 MMTPA traffic, which is equivalent to cargo handling capacity of the jetty, no growth in traffic has been considered.
(vi)	Note 3 under Form 2A requires BOT operators to provide detailed working of designed capacity which is not furnished. The IKBLL to furnish the detailed computation for the assessed capacity at 2 MMTPA taking into consideration the capital investment and the facilities deployed/ proposed to be deployed.	Assessed Capacity considered as per Concession Agreement. [“Project capacity” means the capacity of the Project Facilities and services to handle 2 million tonnes of cargo per annum]
(6).	**<u>Income Projection:</u>**	
(i).	As already stated earlier, the income estimates for the year 2013-14 and 2014-15 to be updated with actuals. Consequently, estimates for the years 2015-16 and 2016-17 to be also modified, if necessary.	Same has been modified in Format B.
(ii)	Note 3 under Form 2B requires the BOT operator to furnish detailed income computation. The IKBLL has not furnished detailed income computation. The IKBLL to furnish the same for each of the years	Detailed income computation has been provided in Format B.

	under consideration preferably in excel with linkages for ease of understanding.	
(iii).	Though IKBLL has not furnished detailed income computation, an attempt was made to estimate income at our end on the traffic projected by the IKBLL and applying the rates proposed. In the instant case of IKBLL which is a case of initial tariff fixation, the income estimation has to be based on the proposed tariff. By doing so, it is seen that the IKBLL has arrived at the proposed tariff considering the tariff arrived based on estimated cost plus 16% return on capital employed at Table 13 at ₹74.90 per tonne for dry bulk cargo, ₹91.90 per tonne each for bagged cargo and Timber log for the year 2014-15 and escalated it by 25% towards revenue share of 25% on cargo handling charges payable to KPT. The same methodology is followed by IKBLL for arriving at year wise proposed rate for 2015-16 and 2016-17. Accordingly, rate proposed by IKBLL is ₹100.03 per tonne, ₹99.95 per tonne and ₹99.93 per tonne for dry bulk cargo for the year 2014-15 to 2016-17 respectively. For bagged cargo and timber log (following the same approach), the IKPL has arrived at the handling rate of ₹122.50 per tonne for the year 2014-15, ₹122.42 per tonne for the year 2015-16 and ₹122.40 per tonne for the year 2015-16. With reference to the above rate considered in the income estimation, the following points are brought out to the notice of IKBLL:	
(a).	In para 5 of our letter of even number dated 2 July 2014 to IKBLL, it has already been brought out that the revenue share payable by IKBLL to KPT is not a pass through as it flows from the C.A. signed between the IKBLL and KPT. The IKBLL was intimated in the said letter that its proposal will be processed following 2005 guidelines. This position was reiterated in our letter dated 15 July 2014 as well. The same position is reiterated now.	Agreed. Now revenue share is excluded from Revised Proposed Tariff.
(b).	It is seen that apart from adding revenue share component in the proposed tariff, the IKBLL has also considered revenue share as an item of expense for each of the years 2014-15 to 2016-17. Clause 2.8.1 of the 2005 guidelines deals with admissibility of royalty / revenue share as cost in tariff fixation process. As per the said clause, royalty/revenue share payment is not to be allowed as admissible cost for tariff computation as decided by the Government in the Ministry of Shipping vide its Order dated no PR/14019/6/2002-	Agreed. Revised proposed tariff calculation does not include Revenue Share payable to KPT. Accordingly, same is excluded from Revenue Estimation as well as Cost Estimation in Format B.

	Misc dated 29 July 2013 for those BOT cases were bidding was finalized after 29 July 2003. Since the bidding process of IKBLL is after this cutoff date, royalty/ revenue share is not an admissible item in tariff fixation. Even the land lord port KPT has pointed out that revenue share cannot be treated as an expense. That being so, IKBLL to exclude the revenue share component included by it in the proposed tariff as well as in the expenditure estimation. Revised revenue estimation for each of the year under consideration in light of the above observation along with detailed computation to be furnished.	
(c).	It is seen that IKBLL has computed different tariff for each cargo-categories viz. “dry bulk cargo”, “steel and bagged cargo” and “timber logs” for each of the years 2014-15, 2015-16 and 2016-17. In the proposed SOR, however, the IKBLL has proposed rate based on the rate arrived for the year 2014-15. Instead of arriving at different tariff (cargo –wise) for each years, IKBLL to compute (cargo –wise) uniform tariff which would be applicable for the entire tariff cycle as normally prescribed in the cases of other BOT operators.	As per tariff fixation guideline, 2005, Tariff fixed shall be valid for the period of 3 years. We have submitted year wise tariff for each of the years 2015-16, 2016-17 and 2017-18. We have also worked out an alternative proposal for cargo wise uniform tariff for all three cargo categories based on Weightage Average Tariff for F.Y 2015-16, 2016-17 and 2017-18.
(d).	The IKBLL has proposed uniform rate for timber log and bagged cargo. The IKBLL to confirm whether the handling rate of these two cargo items through excavators will be the same. This point is raised because, based on our experience in the tariff fixation at other Major Port Trusts and BOT terminals it is observed that the handling rate (productivity) for handling timber log and bagged cargo are different and hence obviously the handling charge prescribed by this Authority are also different for these two cargo categories.	The rates are based on quoted rates for handling operations which is proposed to be outsourced by IKBLL. L-1 bidder has quoted the same rate for handling of Timber Log & Bagged Cargo. Hence, the same handling rate has been considered for Timber Log & Bagged Cargo.
(7)	**Operating Cost :**	
(i).	Maintenance Labour Cost	
(a).	It is the responsibility of the contractor to unload the cargo from the Barge and transport the cargo directly to the Dumpers/ Trucks/ Trailers, as stated earlier. Since the entire shore handling operations are outsourced, the need for maintenance labour requires justification. Further, the services envisaged to be rendered by the maintenance labour to the third party cargo to be listed out, if the scope of work of the contractor does not cover such services.	The Maintenance Cost included in cost sheet refers to cost of maintaining barge jetty facilities like Back up area, RCC flooring, site office building, RCC Boundary Wall, Barbed Wire Fencing, Weigh Bridge Control Room, Fire Fighting equipment, Computer system and other electrical / instrumentation items which are common for all types of cargo. The scope of the outsourced handling activity does not cover the above services.
(b).	Furnish actual number of maintenance labour deployed by IKBLL during the year 2013-14 (since November 2013) and for	Earlier the number of maintenance labour mentioned in FORM 3B are Contract employees for security services and the

<table>
<tr><td></td><td>the year 2014-15 to justify the 13 number of maintenance labour considered in the estimation of the cost.</td><td>estimated minimum IKBLL employees required for operation of Barge Jetty smoothly.

In the F.Y 2013-14 & 2014-15, there were 2 numbers of IKBLL Employees/ trainees. Further in case of Security Service, contract was finalized only in the month of April-14. Hence, there is no Security Expenses in the F.Y 2013-14 & in the F.Y 2014-15, Average 11 nos. of security contract persons were deployed.

However, in revised FORM 3B, the same has been updated based on actual deployed in F.Y 2013-14 & 2014-15 and estimated increased requirement in the future keeping in view of Third Party handling also.</td></tr>
<tr><td>(c).</td><td>The IKBLL to justify the average maintenance labour cost considered by the IKBLL at 3.6 lakhs per annum for the year 2014-15 with reference to the actual average per employee maintenance labour cost for the said year.</td><td>Justification is as under :
<table>
<tr><td></td><td colspan="2">Actual (₹ in lakhs)</td><td>Estimated (₹ in lakhs)</td></tr>
<tr><td></td><td>2013-14</td><td>2014-15</td><td>2014-15</td></tr>
<tr><td>Salary & Wages</td><td>1.87</td><td>7.35</td><td>24</td></tr>
<tr><td>Security Expenses</td><td>-</td><td>13.29</td><td>18.86</td></tr>
<tr><td>Total</td><td>1.87</td><td>20.64</td><td>42.86</td></tr>
</table>
Actual expenses for the F.Y 2014-15 as compared to Estimation for the same year is on lower side because quantum of handling at jetty was limited to captive cargo only in absence of approved scale of rates.</td></tr>
<tr><td>(d).</td><td>The IKBLL to update the estimated maintenance labour cost with actuals for the years 2013-14 and 2014-15. Consequently, the estimates for the subsequent years to be also modified, if necessary, based on past actuals.</td><td>Actual for F.Y 2013-14 & 2014-15 and estimates for subsequent years has been updated in Format B as well as in Tariff Application.</td></tr>
<tr><td>(e).</td><td>Annual escalation considered by the IKBLL in the average employee cost is 9%, 11% and 10% for the year 2014-15 to 2016-17 respectively. As per clause 2.5.1 of the 2005 tariff guidelines, the annual escalation based on the movement in the Wholesale Price Index for all commodities announced by the Ministry of Finance, will be intimated by this Authority to all the concerned including IKBLL. The annual escalation for the year 2015-16 and 2016-17 will have to be modified based on the annual escalation factor (to be announced) by this Authority. For the year 2014-15 as stated earlier, the estimates to be updated with actuals.</td><td>Estimates have been updated for the F.Y 2015-16, 2016-17 and 2017-18 based on average of annual escalation factor notified by TAMP for the year 2010-11 to 2014-15, which works out to 5.85%.</td></tr>
<tr><td>(ii).</td><td>Power Cost:</td><td></td></tr>
<tr><td>(a).</td><td>Form 3B states that power cost estimates is for back up area lighting. Furnish the basis for estimating power cost at ₹20.6 lakhs, ₹21.2 lakhs, ₹21.9 lakhs for the</td><td>Earlier estimates were made based on latest electricity bill (for the month of Feb-14) received from KPT available at the time of preparation of application.</td></tr>
</table>

	years 2014-15 to 2016-17 respectively for back up area lighting.	However, same is updated in revised Format B & Tariff Application based on latest available (for the month of March-15) monthly power bill received from KPT.
(b).	Estimates of the power cost to be updated with actuals for the year 2013-14 and for the year 2014-15. Consequently, the estimates for the subsequent years to be also reviewed and modified, if necessary, with reference to actuals.	Actual for F.Y 2013-14 & 2014-15 and estimates for subsequent years has been updated in Format B as well as in Tariff Application based on latest available (for the month of March-15) monthly power bill received from KPT.
(c).	The IKBLL to Furnish the details of the power consumption per tonne and unit cost of electricity as required in Form 3B for all the years under consideration.	Power cost is not used for handling of Cargo & running the equipment. Power is exclusively used for Backup area lighting for which 4 nos. of High Must Lighting system & 50 nos. of 35 Watt LED well Glass Fitting has been installed at back up area of Jetty. Hence, in our case, the power consumption per tonne is not relevant/applicable.
(d).	Furnish a copy of the electricity bill for the last 3 months to justify the unit cost of power considered in the computation.	Copy of Electricity Bill for the month of Jan-March-15 is furnished.
(iii).	Repairs & Maintenance:	
(a).	At Table 11 of the Tariff Application, it is mentioned that Repairs & Maintenance cost is estimated on normative basis. The IKBLL is governed under 2005 guidelines. Hence normative approach is not relevant in its case.	Agreed. The same has been modified on actual incurred in F.Y 2014-15 plus suitable escalation to take care of maximum utilization of Barge Jetty & allied facilities by using Third Party Cargo also.
(b).	The IKBLL has estimated Repairs & Maintenance cost at 2% of the gross block of assets. Since the terminal is already in operation since November 2013, IKBLL to update the estimates of the years 2013-14 and 2014-15 with actuals. Consequently, the estimates for the years 2015-16 and 2016-17, to be also reviewed and modified, if necessary based on the actual figures now available.	Agreed. The same has been modified on actual incurred in F.Y 2014-15 (since it was the first complete year of operation) plus suitable escalation to take care of maximum utilization of Barge Jetty & allied facilities by using Third Party Cargo also.
(c)	The assets / facilities relevant for third party cargo for which Repairs and Maintenance cost are considered to be listed out.	The Barge Jetty & allied facility is common for captive and other cargo and the facilities relevant for handling third party cargo exclusively cannot be identified.
(iv).	Equipment Hire Charges:	
(a).	The unit rate considered for estimation of equipment hire charge for handling Dry bulk cargo, Steel and bagged cargo and Timber log furnished in Table 10 of its proposal dated 26 April 2014 is reportedly based on the lowest quotation obtained. On perusing the bidding document furnished by IKBLL and the unit rates considered in the estimation of the equipment hire charge at Table 10, it is seen that the IKBLL has added 12.36% Service Tax on the unit rate quoted by contractor. In this context, it is relevant to state that Service Tax is not considered as an item of cost in tariff fixation as the concerned major port trusts /BOT	Agreed, Handling Charges (outsourced) included in proposed revised tariff is now exclusive of Service Tax element. Accordingly, Revised Scale of Rates proposed for Cargo Handling Charges shall also be exclusive of Service Tax which will be charged extra.

<table>
<tr><td></td><td>operators can avail credit of Service Tax. This principle is uniformly followed at all the Major Port Trusts/BOT Operators. The IKBLL, to, therefore, modify the estimate of Equipment Hire Charges considering the base unit rate finalised for the lowest bidder without adding the service tax component.</td><td></td></tr>
<tr><td>(b).</td><td>Clause 2.1.1. of the Scope of Work for outsourcing the cargo handling operations gives the breakup of three cargo groups viz Dry bulk cargo at 7.6 lakhs tonnes, Steel and bagged cargo at 1.3 lakhs tonnes and Timber Logs at 1.1 lakhs tonnes per annum aggregating to 1.0 Million Metric Tonnes per Annum (MMTPA). The rate quoted by the bidders including the lowest bidder identified by IKBLL is with reference to 1.0 MMTPA of other cargo as seen from the bidding documents. The estimation of equipment hire charge applying the unit rate and the projected cargo volume of other cargo at 1 MMTPA does not match with the equipment hire charge of ₹827 lakhs p.a. estimated by IKBLL for each of the years 2014-15 to 2016-17. The IKBLL to furnish detailed working for the estimated equipment hire charges.</td><td>The equipment hire charge of ₹827 lakhs p.a. also includes the charges for 1 MMTPA of captive cargo. Detailed working for Calculation of ₹827 lakhs estimated for each of the years 2014-15 to 2016-17 is furnished as below :-
<table>
<tr><th>Types of Cargo</th><th>Qty (in Lakh MT)</th><th>Rate (₹)</th><th>Total (₹ in lakhs)</th></tr>
<tr><td colspan="4"><u>Third Party Cargo</u></td></tr>
<tr><td>Dry Bulk</td><td>7.60</td><td>39.30</td><td>298.68</td></tr>
<tr><td>Steel & Bagged Cargo</td><td>1.30</td><td>56.20</td><td>73.06</td></tr>
<tr><td>Timber Log</td><td>1.10</td><td>56.20</td><td>61.82</td></tr>
<tr><td colspan="4"><u>Captive Cargo</u></td></tr>
<tr><td>Dry Bulk Cargro</td><td>10.00</td><td>39.30</td><td>393.00</td></tr>
<tr><td>Total</td><td></td><td></td><td>826.56</td></tr>
</table>
However, same has been revised due to exclusion of Service Tax element from equipment hire charges.</td></tr>
<tr><td>(c).</td><td>In case, the IKBLL has estimated equipment hire charges for captive cargo also then IKBLL to furnish detailed computation thereof. The unit rate adopted to be substantiated with necessary documentary evidence particularly in light of the observation at (a) above that the scope of work for outsourcing and the rate quoted by the bidders is for 1MMTPA of other cargo as seen from the documents submitted by the IKBLL.</td><td>For captive cargo, Cargo Handling charges/ Equipment Hiring Cost are directly borne by Captive Users at present and contract for stevedoring & other activities is awarded by Captive users themselves since no tariff is applicable for Captive cargo.

However, for tariff calculation purpose, handling charges (outsourced activity) of ₹39.30 PMT considered as applicable for Dry Bulk Cargo and mentioned at b) above. This is for calculating the tariff PMT based on handling of 2 MMTPA which includes captive as well as Third Party Cargo. Further, it is pertinent to mention here that Barge Jetty & allied facilities developed by IKBLL is common for Captive & Third Party users.</td></tr>
<tr><td>(d).</td><td>Clause 3.1.9. of the Scope of Work for outsourcing the cargo handling operations states that cost of power at 1.2 times of KPT's rate and taxes shall be payable over and above cost by the contractor. Moreover, water shall be supplied at the rate of ₹150 per MT and will be reviewed at end of every three years. It is not clear whether any impact of above provision is captured in the computation. The position</td><td>These are recovery rates, if power & water are used by contractor. Rate quoted by L1 bidder will not be impacted by recovery, if any, since it is part of tender condition. Hence not considered.</td></tr>
</table>

	to be clarified. If considered, IKBLL to furnish the basis thereof along with detailed working.	
(e).	The IKBLL to also furnish actual expenditure incurred under equipment hire charges for the years 2013-14 and 2014-15 along with detailed computation.	As explained at c) for captive cargo, Cargo Handling charges/Equipment Hiring Cost is directly borne by Captive Users at present and contract for stevedoring & other activities is awarded by Captive users themselves since no tariff is applicable for Captive cargo. As such, no such expenditure is reflected in IKBLL books.
(v).	Royalty:	
	As stated earlier, in our query at 6(v) above, royalty is not admissible as pass through in tariff fixation as per clause 2.5.1 of the tariff guidelines of 2005. Even the Kandla Port Trusts in their comments has made the same observation. The estimation of revenue share in the cost statement to be excluded as it is not in line with the provision in the guidelines.	Agreed. Now revenue share is excluded from Revised Tariff calculation.
(vi).	Lease Rental	
	Lease Rent estimated by IKBLL for the financial year 2014-15 at ₹.171.5 lakhs comprises of ₹.61.16 lakhs towards License Fees for land, ₹.95.38 for Water front Charges and 15.0 lakhs towards custom estimation charges as seen from Table 11. In this regard, the following points to be clarified:	
(a).	Clause 9.1 (A) (a) (i) of the CA entered by IKBLL & KPT, stipulates that IKBLL has to pay ₹45,36,000/- (i.e. 36000sq.mtr of back up area * ₹10.5 per month *12 months) every year till the end of the license period as per the Schedule of Rates prevailing from time to time. As against that the IKBLL has estimated license fee for land at ₹61.16 lakhs p.a. for each of the years 2014-15 to 2016-17. Please furnish detailed computation indicating base unit rate of license fee adopted, the escalation factor, if any, applied. IKBLL to give reference to the relevant lease rent from the relevant tariff Order of this Authority considered by IKBLL for estimating the Lease rental on land.	Concession Agreement between KPT & IKBLL was signed on 16.11.2011. Clause 9.1 (A) (a) (i) of the CA entered by IKBLL & KPT, stipulates that IKBLL has to pay ₹45,36,000/- (i.e. 36000sq.mtr of back up area * ₹10.50 per month *12 months) every year till the end of the license period as per the Schedule of Rates prevailing from time to time. However, KPT vide letter dated 16/06/2011. Communicated for change in Lease Rent. Copy of same is furnished. In support of amount of License Fees considered in application, a demand note for License Fees raised by KPT for the F.Y 2015-16 is furnished. (As per the documents furnished by IKBLL dated 4 February 2015, the KPT has requested IKBLL to remit licence fee in advance for the period 17 February 2015 to 16 February 2016 as under: Licence fee for land (36,000 sq. m X 12.6 X 12) = 54,43,200.00 Licence fee for water front = <u>86,59,457.00</u> Total = 1,41,02,657.00 Service Tax @ 12.36% = 17,43,088.00 Net Amount = 1,58,45,745.00

		However, in revised proposed tariff calculation, Service tax element has been excluded. License Fees exclusive of Service Tax is ₹54.43 lakhs per annum.
(b).	The IKBLL to update the cost statement with the actual lease rent on land paid to KPT for the years 2013-14 and 2014-15.	Same has been Updated in Cost Statement.
(c).	The IKBLL has estimated license fee for land uniformly at ₹61.16 lakhs for the years 2014-15 to 2016-17. IKBLL to confirm, that no annual escalation in lease rent on land is applicable for the years 2015-16 and 2016-17 as per the terms of the C.A.	IKBLL has considered License fees in the application as per KPT demand Note raised in this regard. From F.Y. 2011-12 to 2015-16, IKBLL has paid License fees of ₹54.43 lakhs exclusive of Service Tax p.a. Though revised scale of rates for lease rent is effective from 1st April-2014, KPT has not notified such revised rates. At this stage we cannot ascertain the quantum of change in rates and times when it will be notified. In view of reasons mentioned above, no annual escalation is considered in lease rent. The increase, if any, notified later on by KPT shall be put up for TAMP consideration as per clause no-3.1.8 of Tariff Fixation guideline 2005.
(d).	As per clause 9.1 (A)(a)(ii) of CA, IKBLL has to pay KPT a sum of ₹ 80 lakhs subject to yearly escalation of 2% for the use of water front of 120 meters. Considering the water front charges prescribed in the CA entered in February 2011 and applying 2% annual escalation thereon, the water front charges comes to ₹ 84.89 lakhs for the year 2014-15 (i.e. ₹.80 lakhs x 1.02 x 1.02 x 1.02). As against that the IKBLL has estimated Water Front Charges of ₹.95.38 lakhs. IKBLL to furnish detailed computation for estimated water front charges and confirm that it is in compliance with the provisions in the CA.	Earlier, in tariff calculation, we had considered Water front charges inclusive of Service tax. ₹95.38 lakhs has been worked out considering Service Tax @ 12.36% as applicable. However, in revised tariff application, same is removed in view of applicability of CENVAT Credit on Service Tax.
(e).	IKBLL to update the cost statement with the actual license fee and water front charges for the years 2013-14 and 2014-15.	Same has been Updated in Cost Statement.
(f).	The basis of estimating Customs Establishment charges at ₹15 lakhs for the year 2014-15 to be explained. Substantiate the estimates with documentary evidence on the obligation under Customs Notification referred by IKBLL.	Custom Kandla has notified vide Notification No-10/2013 dt. 11.11.2013 IKBLL jetty as a landing place as per provision of Custom Act, 1962. As per clause no. 13 of said notification, Custodian i.e IKBLL shall bear the establishment charges of the Custom Staff posted for the said Jetty. (A copy of the said Notification is furnished by IKBLL). Estimates for Custom Establishment Charges of ₹15 lakhs for F.Y 2014-15 were made based on actual payment of ₹4.51 lakhs made in F.Y 2013-14 for the period 16.11.13 to 31.03.2014 against demand raised by Custom Kandla for ₹17.36 lakhs vide their letter No. S/3-08/08-09/ESTT dated

<table>
<tr><td></td><td></td><td>10.04.2015.Copy of Demand letter is furnished.

It is pertinent to mention here that short payment of ₹12.85 related to F.Y 2013-14 is provided in F.Y 2014-15 in IKBLL books.

[From the documents furnished by IKBLL, it is seen that the office of Commissioner of Customs at Kandla has requested IKBLL to deposit the cost recovery charges. since November 2013, in respect of customs officers/ staff posted i.e. for 01 no. of Superintendent, 02 nos. of Inspectors and 01 No. of Sepoy as follows:

<table><tr><th>Documents date</th><th>Period</th><th>Amount in ₹.</th></tr><tr><td rowspan="2">10.04.2015</td><td>Jan 15 – Mar 15</td><td>11,61,717</td></tr><tr><td>April 15 – Jun 15</td><td>11,61,717</td></tr><tr><td rowspan="2">26.09.2014</td><td>April 14 – Jun 14</td><td>10,93,995</td></tr><tr><td>July 14 – Dec 14</td><td>22,60,926</td></tr><tr><td rowspan="2">27.12.2013</td><td>Nov 13 – Dec 13</td><td>6,94,600</td></tr><tr><td>Jan 14 – Mar 14</td><td>10,41,900</td></tr></table>]</td></tr>
<tr><td>(g).</td><td>IKBLL to clarify as to how the license fee, waterfront charges and customs establishment charges are relevant for fixation of tariff for third party cargo when the handling operations are outsourced.</td><td>Handling operation is possible only when Jetty is operational.

License fee, Waterfront charges and customs establishment charges are operational expenses which are necessary to keep jetty operational and these are for total facility developed and cannot be segregated activity wise as stated earlier. Hence, these charges also are to be recovered from third party.</td></tr>
<tr><td>(vii).</td><td>Insurance</td><td></td></tr>
<tr><td>(a).</td><td>Update the cost statement with the actual insurance cost incurred during the year 2013-14 and 2014-15. Consequently, the estimates for the year 2015-16 and 2016-17 to be also be reviewed and modified, if necessary.</td><td>Same is updated in Cost statement.</td></tr>
<tr><td>(b).</td><td>Furnish a copy of the relevant insurance cover taken by IKBLL to justify the figures considered in the cost statement.</td><td>Copy of Insurance cover (Standard Fire & Special Perils Policy) taken for F.Y 2014-15 is furnished.
(The premium receipt furnished by IKBLL dated 16.11.2014 reflects a premium of ₹9,81,886/- for period of insurance from 16.11.2014 to 15.11.2015).</td></tr>
<tr><td>(c).</td><td>Explain the basis for applying 3% annual escalation in the estimation of insurance cost for the years 2015-16 and 2016-17 over the estimates of the respective previous years.</td><td>Estimates have been updated for the F.Y 2015-16, 2016-17 and 2017-18 based on average of annual escalation factor notified by TAMP for the year 2010-11 to 2014-15, which works out to 5.85%.</td></tr>
<tr><td>(d).</td><td>List down the assets/ facilities relevant for handling third party cargo considered for estimation of insurance cost.</td><td>For the purpose of estimation of insurance cost, Fire policy for Barge jetty and other facilities has been considered .Since the facility is common for handling captive and third party cargo, assets/facilities relevant for</td></tr>
</table>

		handling third party cargo cannot be listed out separately as stated earlier.
(viii).	Other Expenses:	
(a).	The IKBLL is governed under 2005 guidelines, and hence other expenses stated to have been estimated on normative basis is not relevant and needs to be modified based on the past actual expenses.	Agreed. In revised calculation sheet, other expenses are taken based on past actual expenses plus escalation.
(b).	Update the estimates of other expenses with actuals for the years 2013-14 and 2014-15 in the cost statement. Consequently, the estimates for the years 2015-16 and 2016-17 to be reviewed and modified, if necessary, with reference to the actuals.	Same is updated in Revised Calculation Sheet.
(c).	The IKBLL to also establish how the other expenses are relevant for handling third party cargo.	Other Expenses are in nature of common expenses and related to barge Jetty facility. Common cost for entire jetty facility cannot be bifurcated between captive & Third party cargo handling activity.
(ix).	Depreciation:	
(a).	As per clause 2.7.1. of the tariff guidelines 2005, the depreciation has to be computed based on the straight line method with life norms adopted as per Companies Act or based on life norms prescribed in the concessional agreement whichever is higher. IKBLL to confirm whether the computation of depreciation is as per tariff guidelines.	In Revised tariff computation, depreciation is taken as per useful life prescribed in Schedule II of Part C of Companies Act, 2013 except in case of Building. Schedule II of Companies Act, 2013 prescribed useful life of 60 years for building of RCC structure. However, as per provision in Concession Agreement, IKBLL shall hand over the Jetty with Zero value after completion of Concession Period of 30 years (including construction period of 2 years). Hence, in case of building, IKBLL has considered useful life of 28 years against 60 years prescribed in Schedule II. Above treatment is as per provision of Companies Act, 2013 which states company can deviate from useful life of assets as prescribed in Schedule II if same is disclosed with justification in Books of Account which IKBLL will adhere.
(b).	The proposal states that the depreciation is computed based on the Companies Act. IKBLL to confirm whether the depreciation is computed as per the Companies Act 2013. If not, please modify the estimation of depreciation as per the Companies Act 2013 and indicate the reference of the deprecation rate adopted based on the life norms prescribed in the said Act.	Our reply is same as given at ix) a). In calculation sheet for Return on Capital employed & Cost Statement, revised rate of depreciation as considered as per Companies Act, 2013 is also incorporated.
(c).	Update the estimates of depreciation with actuals for the years 2013-14 and 2014-15 in the cost statement. Consequently, the estimates for the years 2015-16 and 2016-17 to be reviewed and modified, if necessary, with reference to the actuals.	Same is updated in Cost Statement.

(d).	IKBLL to establish with calculations that the depreciation considered is for the assets / facilities relevant for handling third party cargo.	Barge Jetty facility is common for entire jetty facility & cannot be bifurcated between captive & Third party cargo handling activity.
(x).	Capital Employed:	
(a).	The sum of ₹ 20.93 crores is for upliftment of the backup area of 36000 sq.mtr. which is for only captive use. That being so, the Gross Block of ₹ 20.93 crores considered for fixation of tariff for handling third party cargo to be justified.	The development of the backup area is necessary for cargo handling operation at jetty. It was not developed for handling of captive cargo alone. 36,000 sq.m area was developed by filling of quarry spall, moorum and WMM etc. up level EL +9.00 m as per the Clause iv) of Appendix 4 of the Concession Agreement. Initially Barren land level was maximum EL +7.00 m near factory building and sloping down towards sea area up to maximum EL -2.00 m. This area was filled up to EL +9.00 m during the construction phase to make the dumpers, cranes movements possible. Since, this is common facility for Captive as well as Third Party users and hence cannot be separated.
(b).	The IKBLL has estimated the Gross block of assets at ₹ 2093 lakhs for the year 2013-14 and has maintained it at the same level for the years 2014-15 to 2016-17. Since, the IKBLL has already commenced the operations, update the estimated Gross block with the actual Gross block, Depreciation, Net block reported in Annual Accounts of the year 2013-14 and 2014-15 duly certified by the Chartered Accountant.	Agreed. Same is corrected in Revised Tariff Application.
(c).	Form 4 B states that working capital requirement is ignored as Current Asset = Current liability. The IKBLL to estimate the working capital as per norms prescribed in Clause 2.9.9 of the 2005 guidelines which is also included in the prescribed cost format. (Form 4B).	Agreed. Same is considered in Revised Tariff Application.
(xi).	Form 5B (1) - Cost Statement for Cargo handling activity.	
(a).	Though the total income, expenses and net surplus reflected in Form 5B (1) matches with the estimates in Form 3A, some of the cost items in the operating expenses like maintenance labour cost, other expenses, etc. in Form 5B (1) do not match with the estimates furnished in Form 3A. IKBLL to furnish the corrected Form 5B (1).	Same is corrected with revised figures of income & expenditures.
(b).	The net surplus / deficit at Sl. No.(xiv) is not correct. It should be [(ix)-(xiii)] instead of [(x)-(xiii)] done by IKBLL.	Same is corrected with revised figures of income & expenditures.
(xii).	Sub activity wise cost statement:	
	The cost format prescribed for private terminal operator at Form 5 requires filing of cost statement for sub activities within the main activity based on certain general guidelines prescribed in the format. In case	As mentioned earlier, segregation of activity wise cost for captive and third-party cargo is not possible.

	of IKBLL, the two main cargo groups are "captive cargo" and "other cargo". IKBLL is requested to furnish separate sub activity wise cost statement for these two main cargo groups. While filling the sub activity wise cost statements for these two main cargo groups, the aggregate of which should match with the raised consolidated cost statement filed, the following points observed by us to be taken into consideration:	
(a).	Para 4.4 of the feasibility report states that the developed backup area of 36,000 sq. mtr. is only for captive use. This is further strengthened by clauses 3.1.3 and 3.1.4 read with 2.1.1 of the scope of work for outsourcing the cargo handling operations which states that cargo (i.e. other than captive cargo) will be directly transferred from dumper/truck/ trailers and that there will be no secondary movement of any type of cargo at jetty. Even the proposed SOR states that no storage facility will be provided to the user. That being so, from the Gross Block of ₹.2093 lakhs estimated by IKBLL, ₹1332.26 lakhs pertaining to development of backup area along with all the linked operating cost like Repairs and Maintenance cost, license fee of 36000 sq. mtr for backup area, Depreciation, power cost to be apportioned directly to the cost statement, filed for captive cargo which is most likely to avail the benefit of this investment.	There is a mistake in Feasibility Report where it is mentioned that, "entire developed are of 36000 sq. mtrs of is only for Captive use". Same is corrected in Revised Application since for carrying out cargo handling operation at jetty, development of backup area is utmost essential. This is common facility which is to be used by Captive as well as Third Party Cargo Handling. Segregation is not possible as the facility required is for cargo handling whether captive or third party. Even as per the Concession Agreement, separate project facilities are not envisaged.
(b).	The expenses which are directly related to the 'Other cargo" to be directly apportioned to the sub-activity cost statement filed for this "other cargo" category.	
(c).	Some common capex and common operating cost to be apportioned between this two main cargo groups on appropriate basis.	
(d).	Furnish detailed working and basis for apportionment of each cost items.	As mentioned earlier, segregation of activity wise cost for captive and third-party cargo is not possible.
III	**SCALE OF RATES :**	
(i).	The IKBLL to also consider incorporating the following general conditions in its Scale of Rates (SOR) which are uniformly prescribed at all the Major Port Trusts and Private Terminal Operators: (a). The cargo related charges for all coastal cargo, other than thermal coal, POL including crude oil, iron ore and iron pellets, should not exceed 60% of the normal cargo / container related charges. (b). In case of cargo related charges, the concessional rates should be levied on all the relevant handling charges for	Agreed. Same has been incorporated in SOR. Revised SOR is furnished.

	ship-shore transfer and transfer from / to quay to / from storage yard including wharfage. (c). Cargo from a foreign port, which reaches an Indian Port 'A' for subsequent transhipment to Indian Port 'B' will be, levied the concessional charges relevant for its coastal voyage. In other words, cargo from / to Indian ports carried by vessel permitted to undertake coastal voyage will qualify for the concession. (d). The charges for coastal cargo / vessels shall be denominated and collected in "Indian Rupee". (e). For the purpose of calculating the dues the unit by weight shall be 1 tonne or 1000 kilograms, the unit by volume measurement shall be 1 cubic metre and the unit by capacity measurement for liquids in bulk shall be 1000 litres. (f). In calculating the gross weight or measurement by volume or capacity of any individual item, fractions upto 0.5 shall be taken as 0.5 unit and fractions of 0.5 and above shall be treated as one unit, except where otherwise specified.	
(ii).	The note proposed below the schedule 3.0 Cargo Handling Charge states that in addition to the charges prescribed in the schedule, the user will be required to pay wharfage as per the wharfage rates prescribed in the Scale of Rates of the port (i.e. KPT). The tariff is prescribed based on the admissible cost plus return applicable under 2005 guidelines for services to be provided by IKBLL to third party cargo. IKBLL to clarify the services provided by KPT to the third party cargo at the barge jetty for levy of wharfage charge as per the SOR of KPT. There must be sufficient justification supported with cost details for prescription of this note in the SOR at IKBLL linking it to the services provided by KPT. The IKBLL to also clarify how a rate collectable by licensor can be prescribed in the SOR of the licensee. IKBLL to examine whether this payment is akin to royalty/ revenue share payment to the KPT for handling other cargo by IKBLL. Since royalty/ revenue share payment is not admissible under the 2005 guidelines, this Authority may not be in a position to prescribe it in the SOR of IKBLL.	Statement regarding the wharfage charges has been removed from the said note. Also, revenue share has been excluded from Revised Tariff.
(iii).	The general note 4 prescribing annual indexation in the tariff approved is applicable for upfront tariff and reference tariff fixed under 2008 and 2013 guidelines. Since the tariff fixed under the 2005 guidelines is based on cost plus	Agreed. Same has been deleted from SOR. Revised SOR is furnished.

	return model based on the estimates of three years which already captures the effect of annual indexation, the proposed general note 4 is not found to be in line with 2005 guidelines and hence to be deleted from the draft proposed SOR.	
(iv).	The cost statement filed by the IKBLL reflects an average net surplus of 12% for the years 2014-15 to 2016-17. That being so, the proposed tariff needs to be reduced so to arrive at a neutral revenue position at the proposed tariff. The IKBLL to, therefore, modify (reduce) the proposed tariff in the light of the above observation to arrive at a neutral revenue position.	The same has been corrected in the revised cost statement

8.2. The KPT has furnished the information/ clarification on the IKBLL proposal as sought by us, vide its e-mail dated 05 May 2015. A summary of the information/ clarification sought by us and the response of the KPT thereon is tabulated below:

Sr. No.	Information/ Clarification sought by us	Reply furnished by KPT
(i).	The proposal of the IKBLL seeks tariff approval for handling Dry bulk cargo, bagged cargo and the timber log. In order to optimize the use of the facility, Article no 8.1 of the Concession Agreement (CA) entered between IKBLL and KPT, allows IKBLL to handle other cargo as directed by KPT and to levy tariff from owners/consignee of cargo and vessel owners for using the project/ facility as per the Scale of Rates notified from time to time. The term "Other Cargo" defined under Article 1.1. of the CA states that other cargo means dry cargo excluding the containerized cargo. In view of such explicit definition of "other cargo" in the CA, the KPT to clarify whether the proposal of IKBLL seeking tariff for handling bagged cargo and timber log is in line with the provision of the CA. Also, KPT to give reference of the relevant clause of C.A. which allows IKBLL to handle these two cargo categories (bagged cargo and timber log).	As per Concession Agreement of the Project, Other Cargo has been defined as below: "Other Cargo" means the dry cargo of other *users excluding the containerized cargo.* Hence, dry cargo other than containerized cargo also includes the bagged and timber logs. Hence, with respect to the consideration of cargo categories, the proposal is in line with Concession Agreement.
(ii).	KPT to confirm the date of commercial operations by IKBLL at barge jetty at KPT is 16 November 2013 as indicated by IKBLL.	As per Completion Certificate of the Project, Date of Commercial Operation of the Project is 11/11/2013. However, IKBLL had started commercial operation by 16/11/2013.

<table>
<tr><td>(iii).</td><td>(a). KPT to furnish actual traffic handled by IKBLL at the Barge Jetty in the years 2013-14 and 2014-15 (cargo wise). KPT to confirm, that the IKBLL has not handled any cargo other than captive cargo during this period.</td><td>As per the reports from the statutory auditor of IKBLL, no other cargo has been handled at the Project Facilities and Services of the Project. Actual cargo handling details for the years 2013-14 and 2014-15 is furnished.
<table><tr><th>Cargo handle at Barge Jetty</th><th>Quantity in MT</th></tr><tr><td>2013-14</td><td>0.26</td></tr><tr><td>2014-15</td><td>1.14</td></tr></table></td></tr>
<tr><td></td><td>(b). KPT to comment on the reasonableness of the traffic projected for “captive cargo” projected at 1 Million Tonnes Per Annum (MTPA) for the years 2015-16 and 2016-17 and “other cargo” projected at 1 MTPA for each of the years 2015-16 and 2016-17.</td><td>As per IKBLL letter to TAMP dated 22/4/2015, IKBLL has submitted the clarification that handling 1 MMTPA dry cargo requires only 3-5% shift from existing KPT traffic. It has also been submitted that considering the high berth occupancy and almost 100% ratio of capacity to traffic for dry cargo, 1 Million Tonnes traffic for year seems to be reasonable.</td></tr>
<tr><td>(iv).</td><td>It is seen that the IKBLL has arrived at the proposed tariff based on estimated cost plus 16% return on capital employed at Table 13 and escalated it by 25% towards revenue share of 25% on cargo handling charges payable to KPT. Thus, the revenue estimated by IKBLL at the proposed tariff includes the revenue share component. As regards the approach followed by the IKBLL of adding the revenue share component for arriving at the proposed tariff, the IKBLL was earlier vide our letters dated 2 July 2013 and 15 July 2015 intimated that the revenue share payable by IKBLL to KPT is not a tariff item as it flows from the C.A. signed between the IKBLL and KPT. This position has been reiterated now and the IKBLL has been advised to exclude the revenue share component included by it in the proposed tariff as well as in the expenditure estimation as it is not admissible as pass through in the tariff fixation as per clause 2.8.1. of the 2005 tariff guidelines. Apart from this, if the KPT has any observations on the revenue estimation made by IKBLL for the years 2015-16 and 2016-17 then the same to be furnished. KPT to also indicate the actual revenue earned by the IKBLL for the years 2013-14 and 2014-15.</td><td>KPT agrees to the observation made by TAMP regarding revenue details. Accordingly, IKBLL has revised its proposal vide their letter dated 22/4/2015 by excluding the revenue share component. IKBLL has submitted that it has not earned any Gross Revenue since it has not handled any volume of Other Cargo. Revenue projection is as per the projected traffic.</td></tr>
<tr><td>(v).</td><td>The IKBLL has assessed the designed capacity of the terminal at 2 MTPA. KPT to comment on the reasonableness of the assessed capacity of 2 MMTPA with reference to the capital investment and the facilities deployed/ proposed to be deployed by IKBL</td><td>The project being captive facility, the capacity was worked out by IKBLL as part of Feasibility Report prepared by them. Further, signed Concession Agreement provides for creating the Project Facilities and Services with 2 MMTPA capacity. IKBLL has already completed the facility and obtained the certificate also from Independent Engineer in this regard.</td></tr>
</table>

(vi).	Furnish specific comment on the reasonableness of the estimation of power cost for the backup area estimated by the IKBLL for each of the years 2014-15 to 2016-17.	Documentary evidence (i.e. Electricity bill) has been submitted by IKBLL. The same has been furnished for the reference. (The bill dated 15.04.2014 furnished by KPT reflects an amount of ₹169375/- and the units consumed at 16800 units)
(vii).	Lease Rental	
	License Fee estimated by IKBLL for the financial year 2014-15 is ₹.171.5 lakhs which comprises of ₹.61.16 lakhs towards License Fees for land, ₹.95.38 lakhs for Water front Charges and 15.0 lakhs towards custom estimation charges as seen from Table 11. In this regard, the following points are to be clarified. :	
	(a). Clause 9.1 (A) (a) (i) of the CA entered by IKBLL & KPT, stipulates that IKBLL has to pay ₹45,36,000/- (i.e. 36000sq.mtr of back up area * ₹10.5 per month *12 months) every year towards license fee for land till the end of the license period as per the Schedule of Rates prevailing from time to time. As against that, the IKBLL has estimated license fee for land at ₹ 61.16 lakhs p.a. for each of the years 2014-15 to 2016-17. KPT to confirm whether the license fee for land estimated by the IKBLL at the higher side is as per the terms of the CA.	As per Concession Agreement, License fee for land has been fixed based on the License Fee mentioned at 2.5 (A) of Scale of Rates w.e.f 12th July 2007, for Open space as revised from time to time i.e. ₹105/10 sqm/month. As per the latest Scale of Rates w.e.f. 24th March 2011, the same is mentioned as ₹126/10 sqm/month. Hence, presently, the calculation is like: 36000 x 12 x 12.6 =5443200. Revised Proposal by IKBLL vide their letter dated 22/4/15 has been corrected accordingly.
	(b). KPT to furnish detailed computation of license fee for land indicating the base unit rate as per CA and the annual escalation factor, if any, applicable. Please give reference of the relevant lease rent from the relevant tariff Order of this Authority considered for estimating the Lease rental on land.	Refer the above reply for license fees details. Tariff Order No.TAMP/61/2009-KPT dated 18/1/2011 with G.No.37 dated 22/2/2011 is referred regarding approval of the rate.
	(c). The IKBLL has estimated license fee for land uniformly at ₹ 61.16 lakhs for the years 2014-15 to 2016-17. KPT to confirm that, no annual escalation is applicable on this item for the years 2015-16 and 2016-17 as per the terms of the C.A.	As per Concession Agreement, rate of license fee shall be applicable as per Scale of Rates as revised from time to time. However, no yearly rate of escalation for license fee for land is envisaged.
	(d). As per clause 9.1 (A)(a)(ii) of CA, IKBLL has to pay KPT a sum of ₹ 80 lakhs subject to yearly escalation of 2% for the use of water front of 120 meters. Considering the water front charges prescribed in the CA entered between IKBLL and KPT in February 2011 and applying 2% annual escalation thereon, the water front charges comes to ₹ 84.89 lakhs for the year 2014-15 (i.e. ₹.80 lakhs x 1.02 x 1.02 x 1.02). As against that, the IKBLL has estimated Water Front Charges of ₹. 95.38 lakhs. KPT to	As per Concession Agreement, ₹80,00,000/- for waterfront charges are to be escalated as per Land Policy i.e. @ 2% per annum. From the Concession Agreement signing year 2011, the escalated value is arrived at ₹84.89 Lakhs for the year 2014-15. Revised Proposal by IKBLL vide their letter dated 22/4/15 has been corrected accordingly for further years 2015-16, 2016-17 and 2017-18.

<table>
<tr><td></td><td>confirm whether the estimation of water front charges for each of the years is in compliance with the provisions in the CA.</td><td></td></tr>
<tr><td></td><td>(e). KPT to furnish the actual license fee for land and water front charges paid by IKBLL to KPT for the years 2013-14 and 2014-15.</td><td>Details of the actual license fee for the year 2013-14 and 2014-15 is furnished. The details furnished by KPT is given below:
<table>
<tr><th>Sr.No.</th><th>Description</th><th>Period</th><th>Amount due</th><th>Amount Received</th><th>O/s</th></tr>
<tr><td colspan="6">Setting up Barge Jetty on Captive use basis – M/s.IFFCO Kishan Bazar Logistic Ltd.</td></tr>
<tr><td>1</td><td>License Fee for Land</td><td>17.02.2011 to 16.02.2012</td><td>4536000</td><td>4536000</td><td>0</td></tr>
<tr><td>2</td><td>License Fee for Water Front</td><td>17.02.2011 to 16.02.2012</td><td>8000000</td><td>8000000</td><td>0</td></tr>
<tr><td>3</td><td>Difference on License Fee</td><td></td><td>820208</td><td>820208</td><td>0</td></tr>
<tr><td>4</td><td>License Fee for Land</td><td>17.02.2012 to 16.02.2013</td><td>5443200</td><td>5443200</td><td>0</td></tr>
<tr><td>5</td><td>License Fee for Water Front</td><td>17.02.2012 to 16.02.2013</td><td>8160000</td><td>8160000</td><td>0</td></tr>
<tr><td>6</td><td>License Fee for Land</td><td>17.02.2013 to 16.02.2014</td><td>5443200</td><td>5443200</td><td>0</td></tr>
<tr><td>7</td><td>License Fee for Water Front</td><td>17.02.2013 to 16.02.2014</td><td>8323200</td><td>8323200</td><td>0</td></tr>
<tr><td>8</td><td>License Fee for Land</td><td>17.02.2014 to 16.02.2015</td><td>5443200</td><td>5443200</td><td>0</td></tr>
<tr><td>9</td><td>License Fee for Water Front</td><td>17.02.2014 to 16.02.2015</td><td>8489664</td><td>8489664</td><td>0</td></tr>
<tr><td>10</td><td>License Fee for Land</td><td>17.02.2015 to 16.02.2016</td><td>5443200</td><td>5443200</td><td>0</td></tr>
<tr><td>11</td><td>License Fee for Water Front</td><td>17.02.2015 to 16.02.2016</td><td>8659457</td><td>8659457</td><td>0</td></tr>
<tr><td></td><td></td><td></td><td>68761329</td><td>68761329</td><td>0</td></tr>
</table></td></tr>
<tr><td></td><td>(f). The lease rent estimated by IKBLL towards Customs Establishment charges of ₹.15 lakhs for each of the years 2014-15 to 2016-17. The IKBLL has stated that this expenditure is to meet the obligation under Customs Notification. KPT to comment on the reasonableness of this expense. Also, confirm whether this expense will form part of lease rent payable to KPT.</td><td>Concession Agreement does not refer any land license fee other than those mentioned in previous points i.e. License fees for land & water front.</td></tr>
<tr><td>(viii).</td><td>The IKBLL has estimated gross block to the tune of ₹2093 lakhs in year 2013-14 and detailed break up is given in Tariff application at para 4.4.2. of its proposal dated 26 April 2014. The IKBLL has maintained the gross block of assets at the same level for the years 2014-15 and 2015-16 respectively. The KPT being the land lord port, to ascertain from IKBLL and indicate the actual gross block of assets invested by IKBLL at the terminal at the end of the year 2013-14 and 2014-15. KPT to also comment on the reasonableness of the gross block estimated by the IKBLL for the years 2015-16 and 2016-17 respectively.</td><td>As per 4.4.2 of Revised Tariff Proposal dated 22/4/15 by IKBLL, total capital investment envisaged at ₹38.95 Crores as against ₹38.72 Crores as per the attached Financial Statements as on 31/3/14 as certified by Statutory Auditor, which is relied upon. However, the aforementioned figures are including berth cost. The same should be excluded while considering tariff fixation.</td></tr>
</table>

(ix).	The note proposed below the schedule 3.0 Cargo Handling Charge in the draft proposed Scale of Rates (SOR) states that in addition to the charges prescribed in the schedule, the user will be required to pay wharfage as per the wharfage rates prescribed in the Scale of Rates of the port (i.e. KPT). The tariff is to be prescribed based on the admissible cost and return applicable under 2005 guidelines for services to be rendered by IKBLL to third party cargo. KPT to clarify the services provided by KPT to third party cargo at the barge jetty of IKBLL for levy of wharfage rate as per SOR of KPT proposed by IKBLL. The IKBLL has been requested that there must be sufficient justification supported with cost details for prescription of this note in the SOR of IKBLL. KPT to also clarify how a rate collectable by Licensor can be prescribed in the SOR of the Licensee. KPT to examine whether this payment is akin to royalty/ revenue share payment to the KPT for handling other cargo by IKBLL. Since royalty/ revenue share payment is not admissible under the 2005 guidelines, this Authority may not be in a position to prescribe it in the SOR of IKBLL.	KPT agrees to the point mentioned by TAMP that charges applicable as per KPT SOR may not be required to be referred in the SOR to be approved for instant proposal. Accordingly, IKBLL has revised its proposal vide their letter dated 22/4/2015. Further As per Article 8 of the signed Concession Agreement, *in order to optimize the use of the facility and as per the provisions of this agreement and in case the Concessionaire handles Other Cargo as directed by the Concessioning Authority, for some other User during the Operation phase, the Concessioning Authority shall be entitled to levy and recover tariff from the Owners/ consignees of cargo and the vessel owners/ agents using the Project Facilities and Services as per the Scale of Rates notified time to time.*

9.1. As stated earlier, the IKBLL while furnishing information/ clarification vide its letter dated 22 April 2015 has also filed its revised proposal in the prescribed format. The main modifications made by IKBLL in its revised proposal dated 22 April 2015 are as follows:

(i). The IKBLL has updated the figures for the year 2013-14 and 2014-15 with actuals. The estimates for the year 2015-16 to 2017-18 have also been modified on the basis of actuals.

(ii). The IKBLL has maintained the estimated traffic at 2 MMTPA for the years 2014-15 to 2017-18 as estimated in the original proposal.

(iii). In its revised proposal, the IKBLL has excluded the revenue share of 25% on cargo handling charges.

(iv). Service Tax element is excluded from expenses.

9.2. Further details of the revised proposal of IKBLL dated 22 April 2015 at the proposed tariff is given in the subsequent paragraph.

10. Since there are substantial changes in the revised proposal filed by IKBLL, the revised proposal of IKBLL dated 22 April 2015 was circulated to KPT and all concerned users/ user organizations, for their comments vide our letter dated 30 April 2015. None of the users/ user organizations except KPT have furnished their comments. The KPT vide its letter dated 15/16 May 2015, has made its submissions on the Scale of Rates (SOR) proposed by IKBLL. The submission made by KPT was forwarded to IKBLL vide our letter dated 26 May 2015. The IKBLL vide its email dated 27 May 2015 has responded on the submission of the KPT.

11.1. The IKBLL while furnishing the revised proposal of April 2015 has also requested to provisionally approve the tariff for the handling of the third party cargo pending fixation of final rates for the barge jetty. During the joint hearing also, the IKBLL has requested this Authority to allow levy of proposed rates on adhoc basis till the final rates are determined. The IKBLL has also agreed that if the adhoc rates are higher than the final rates approved by this Authority they will refund the differential.

11.2. In this connection, Clause 2.12 of the Tariff Guidelines of 2005 is reproduced below:

> *"When a new facility is commissioned or existing facilities are privatized by any port trust, the initial tariff to be allowed will not exceed the existing tariff level at the same port for comparable facilities. If such comparison is not available, prevailing tariff at comparable nearby port will be considered as the reference level. The initial tariff so adopted will be valid for the first year of operation where after revised tariff will be fixed based on the admissible cost and investment of the private operator. If it is established by the private operator that adopting the existing tariff of port trust will cause hardship to him in view of a higher level of investment made, then a separate cost based tariff will be allowed to him right from the commencement of commercial operations".*

11.3. The IKBLL has not proposed to adopt the existing tariff of KPT or of any other nearby port. It is relevant here to mention that the Scale of rates for the KPT was fixed taking into consideration the cost position reflected by the port which also involved cross subsidization between various services/ activities and cost of social obligation of the Port Trusts which may not be relevant to the IKBL.

11.4. Since the proposal of IKBLL sought approval for levy of proposed tariff on provisional basis and also recognizing that IKBLL at joint hearing has agreed to refund any excess collection if the adhoc rates is higher than the final rates approved, this Authority was inclined to approve levy of the rates proposed by IKBLL for the present on provisional basis without going in to depth of the cost position and additional information/ clarification furnished by IKBLL.

11.5. Thus, this Authority vide its Order No. TAMP/55/2013-KPT dated 15 May 2015 has approved the scale of rates for handling third party cargo at the barge jetty of IKBLL at KPT on provisional basis. The rates so approved as an interim tariff arrangement, are as follows:

(Rates in ₹)

Sr. No.	Commodity	Unit	Foreign Cargo	Coastal Cargo
(a).	Other dry bulk	MT	63.30	38.00
(b).	Steel and Bagged cargo	MT	78.30	47.00
(c).	Timber Logs	MT	78.30	47.00

Note:
The handling charges prescribed above are only unloading of the cargo from the Barge and loading on to trucks in respect of import cargo and vice-a-versa for export cargo.

11.6. The said Interim Order was notified in the Gazette of India on 28 May 2015 vide Gazette No.195, which was conveyed to IKBLL, KPT and all the concerned users / user organization vide our letter dated 03 June 2015.

12. Thereafter, the IKBLL vide its e-mail dated 01 July 2015 has made the following submissions:

(i). In the proposal of 22 April 2015, IKBLL had included hiring charges based on L1 offer received from the bidder at that time. However, in June 2015, negotiation has been carried out and the party has offered discounted rate.

(ii). In the interest of the third party, it is necessary to pass on the benefit of negotiated rate and hence, the negotiated discounted rates for cargo handling rates of third party cargo is considered by the Authority for final fixation of tariff for IKBLL barge jetty. There are no other changes.

(iii). A comparative position of pre-revised and revised negotiated rates is as under:

₹. (PMT)

Sr. No.	Commodity	Equipment in-charge contracted for cargo handing considered in Tariff Application	Revised Rates for Equipment in charge (outsourced) for cargo handling
1.	Handling of Dry Bulk Cargo	35	20
2.	Handling of Steel & Bagged Cargo	50	30
3.	Handling of Timber Log	50	30

13. On examination of the reply furnished by IKBLL vide its letter dated 22 April 2015, it was seen that additional information / clarification was required from IKBLL on some points. Accordingly, the IKBLL was requested vide our letter dated 07 July 2015 to furnish requisite information/ clarification. It was also communicated to IKBLL that the revised proposal, if any, to be filed by IKBLL is simultaneously forwarded to KPT and the concerned users giving them three days' time to furnish their comments to TAMP and IKBLL. In response, the IKBLL vide its e-mail dated 17 July 2015 (has furnished the additional information/ clarification. A summary of the additional information / clarification sought by us and the response furnished by IKBLL thereon is tabulated below:

Sr. No.	Information / clarification sought by us	Reply furnished by IKBLL
(i).	With reference to our query No. 4.1, the IKBLL in its reply dated 22 April 2015 has clarified that there is a mistake in Feasibility Report where it is mentioned that, "entire developed area of 36,000 sq. mtrs is only for Captive use". The IKBLL has stated that back up area development is a part of project requirement as per Concession Agreement and it is necessary to make the Jetty operational and that this is a common facility required to be used for all types of cargo namely Captive and Third Party Cargo. Thus, in short the IKBLL has considered the capital cost, operating cost and licensee fees for 36000 sq.mtr of area for arriving at the proposed tariff for the captive and third party cargo. While IKBLL has considered all the cost items relating to the backup area of 36000 sq.mtr including license fees for this area, it has not proposed any storage charge. Even the note under the cargo handling charges in the Scale of Rates proposed by IKBLL does not mention that it covers the storage charges. Normally cargo handling charges and storage charges leviable after the free period is prescribed as a separate tariff item. The IKBLL to therefore, modify its proposed note stating that it covers storage facility also. Alternatively, the IKBLL to examine whether storage charges for cargo	Capital investment for the upliftment of back-up area is necessary to support the activities (both captive and third-party) at the jetty. Without back up area development, jetty cannot be made operational. The proposed cargo handling charges do not include storage charges. As per Article- 8.1 (Levy and Recovery of Tariff) of Concession Agreement, Concessionaire shall collect the Cargo Handling Charges at the rates approved by TAMP. As such, there is no requirement for fixation of separate storage charges as per provision in Concession Agreement.

<table>
<tr><td></td><td>need to be proposed separately for the cargo expected to avail storage facility after the free period. Consequent, to adopting the latter suggestion, the proposed handling charges may also undergo modification (i.e. reduction). The IKBLL to furnish detailed computation for arriving at the proposed storage charge, if it, so desires based on the traffic estimates expected to avail storage facilities after the free period. While doing so, the proposed handling charges also needs to be suitably modified.</td><td></td></tr>
<tr><td>(ii)</td><td>(a). The IKBLL has proposed single rate for handling three categories of cargo. The IKBLL to clarify whether the cargo categories to be handled will be foreign cargo or coastal cargo. If both foreign/coastal cargo are envisaged to be handled, then the IKBLL to propose separate rate for foreign cargo and coastal cargo.

As per clause 4.3 of the 2005 guidelines, concessional tariff will be prescribed for coastal cargoes/containers, as per the policy directions of the Government for all coastal cargo/ containers, other than thermal coal and POL including crude oil, iron ore and iron ore pellets. The coastal cargo tariff has to be 60% of the tariff of foreign cargo.</td><td>Tariff workings have been revised considering both coastal and foreign cargo. Percentage of both coastal and foreign cargo has been worked out based on details received in this regard from KPT for the period 2012-13, 2013-14 & 2014-15.

Statement of Coastal & foreign Cargo details for the period 2012-13, 2013-14 & 2014-15 is furnished.

<table>
<tr><th colspan="4">For Dry Bulk</th></tr>
<tr><th>Year</th><th>2012-2013</th><th>2013-2014</th><th>2014-2015</th></tr>
<tr><td>Foreign</td><td>222,22,515.00</td><td>212,11,952.00</td><td>247,14,397.00</td></tr>
<tr><td>Coastal</td><td>7,28,842.00</td><td>4,47,049.00</td><td>3,16,141.00</td></tr>
<tr><td>Total</td><td>229,51,357.00</td><td>216,59,001.00</td><td>250,30,538.00</td></tr>
<tr><td>%</td><td>3.2%</td><td>2.1%</td><td>1.3%</td></tr>
<tr><td>Avg %</td><td colspan="3">2.2%</td></tr>
</table>

<table>
<tr><th colspan="4">For Break Bulk</th></tr>
<tr><th>Year</th><th>2012-2013</th><th>2013-2014</th><th>2014-2015</th></tr>
<tr><td>Foreign</td><td>76,23,627.00</td><td>50,55,869.00</td><td>44,72,931.00</td></tr>
<tr><td>Coastal</td><td>11,94,694.00</td><td>56,456.00</td><td>3,39,911.00</td></tr>
<tr><td>Total</td><td>88,18,321.00</td><td>88,18,321.00</td><td>88,18,321.00</td></tr>
<tr><td>%</td><td>13.5%</td><td>1.1%</td><td>7.1%</td></tr>
<tr><td>Avg %</td><td colspan="3">7.2%</td></tr>
</table></td></tr>
<tr><td></td><td>(b). The IKBLL to indicate the percentage share of foreign cargo and coastal cargo for each of the three cargo categories to be handled. The handling rate arrived should take into consideration the impact of coastal concession. The IKBLL to furnish detailed working in this regard.</td><td>Detailed working for deriving % of coastal cargo & foreign cargo is furnished as stated above.</td></tr>
</table>

14. While furnishing the additional information/ clarification vide its letter dated 17 July 2015, IKBLL has revised its proposal. The main modifications made in the revised proposal of July 2015 are given below:

(i). By maintaining total estimated traffic at 2 MMTPA as given in the revised proposal dated 22 April 2015 for each of the years 2015-16, 2016-17 and 2017-18, the IKBLL has in its proposal of July 2015, furnished the segregation of foreign and coastal cargo for the third party cargo. The traffic estimated by IKBLL in revised proposal dated 17 July 2015 is tabulated below:

(in MTPA)

	Particulars	2015-16	2016-17	2017-18
(i)	**Captive Traffic**	10,00,000	10,00,000	10,00,000
(ii)	**Third party Traffic**	10,00,000	10,00,000	10,00,000
	Total Traffic	**20,00,000**	**20,00,000**	**20,00,000**
(iii)	**Third Party (TP) Coastal Cargo**			
	(a). Dry Bulk	16,473	16,473	16,473
	(b). Bagged Cargo	9,410	9,410	9,410
	(c). Timber Logs	**0**	**0**	**0**
	Total Coastal Cargo	**25,883**	**25,883**	**25,883**
(iv)	**Third Party (TP) Foreign Cargo**			
	Dry Bulk	743,527	743,527	743,527
	Bagged Cargo	120,590	120,590	120,590
	Timber Logs	110,000	110,000	110,000
	Total Foreign Cargo	**974,117**	**974,117**	**974,117**
	Coastal cargo + Foreign Cargo	**10,00,000**	**10,00,000**	**10,00,000**
(v)	Coastal as a percentage of total traffic cargo	**1.3%**	**1.3%**	**1.3%**
(vi)	Foreign as a percentage of total traffic cargo	**98.7%**	**98.7%**	**98.7%**

(ii). Operating Cost:
The revised handling rates communicated by IKBLL vide its email dated 1 July 2015, based on negotiation for handling 3rd party cargo as given in preceding paragraph has been captured by IKBLL in the revised proposal.

(iii). The IKBLL has computed per tonne rate considering 16% ROCE and operating cost per tonne rate.

15.1. A comparative position of traffic and financials between the initial proposal of IKBLL dated 26 April 2014, the revised proposal of IKBLL dated 22 April 2015 and further revised proposal dated 17 July 2015 at the proposed level of tariff is tabulated below:

										(₹. in lakhs)
		Initial Proposal dated 26.04.2014			**Revised Proposal dated 22.04.15**			**Further Revised Proposal dated. 17.7.15**		
Sr.	**Particulars**	**Projections**			**Projections**			**Projections**		
		2015-16	**2016-17**	**2017-18**	**2015-16**	**2016-17**	**2017-18**	**2015-16**	**2016-17**	**2017-18**
(i)	Traffic (In MTPA)	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
a.	Captive cargo	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
b.	Third Party	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
(ii)	Operating Income at proposed tariff	2053	2053	2053	1306	1302	1299.20	994.39	990.30	987.23
(iii)	Operating costs	1403	1415	1428	984.07	992.07	1000.46	672.07	680.07	688.46
(iv)	Depreciation	78	78	78	71.80	71.38	71.38	71.80	71.38	71.38
(v)	Operating Surplus / Deficit	572	560	547	250.13	238.55	227.36	250.52	238.85	227.39
(vi)	Capital Employed	2015	1937	1859	1565.5	1493.08	1421.07	1565.58	1493.08	1421.07
(vii)	ROCE	322	310	298	250.49	238.89	227.37	250.49	238.89	227.37
(viii)	Net Surplus/ Deficit	250	250	250	0	0	0	0	0	0
(ix)	Net Surplus/ Deficit as % of Income	12%	12%	12%	0	0	0	0	0	0
(x)	Surplus/ Deficit - average for 3 years	12%			0%			0%		

15.2. A comparative position of the tariff proposed by IKBLL in its various proposals are tabulated below:

Particulars	Initial Proposal dated 26.04.2014	Revised Proposal dated 22.04.15	Further Revised Proposal dated. 17.7.15
Foreign cargo			
Dry Bulk	100.03	63.30	48.65
Bagged Cargo	122.50	78.30	59.37
Timber Cargo	122.50	78.30	58.48
Coastal cargo			
Dry Bulk	-	-	29.19
Bagged Cargo	-	-	35.63
Timber Cargo	-	-	35.09

16.1. From the documents furnished by the IKBLL, under cover of its e-mail dated 17 July 2015, it is seen that the IKBLL has forwarded the revised proposal along with all workings to Port as well as all the concerned users/ organisations requesting them to send their comments to this Authority and to IKBLL within three days. None of the users / user organization have furnished their comments except KPT.

16.2. The KPT vide its e-mail dated 14 August 2015 with a copy endorsed to IKBLL has offered its comments on revised tariff proposal submitted by IKBLL to this Authority on 17 July 2015. This was also forwarded to IKBLL vide our letter dated 25 August 2015 for its comments thereon. The IKBLL vide its email dated 27 August 2015 has furnished its reply on comments of KPT.

17. The IKBLL vide its email dated 23 June 2015 has furnished the following Reconciliation statement:

(i). **Reconciliation of Gross Block of Assets**
(Annual Accounts 2014-15 Vs. TAMP Application)

Sr. No.	Description of Assets	Cos of Assets as on 31.03.2015 (Gross Value)			Remarks
		As per Annual Accounts 2014-15	Considered in TAMP Application	Difference	
1	Factory Building	33,370,037.22	33,370,037.22	-	
2	P&M – Barge Jetty	340,160,662.37	115,224,482.54	224,936,179.83	Cost towards berth construction has not been considered for tariff estimation.
3	P&M – Weighing Equipment	5,322,379.86	5,322,379.86	-	
4	Electrical Installation	7,255,936.91	7,255,936.91	-	
5	P&M – Fire & Safety	1,961,064.73	1,961,064.73	-	
6	AC/Coolers etc.	187,300.00	187,300.00	-	
7	Computer System	1,281,295.00	1,281,295.00	-	
	Total	**389,538,676.09**	**164,602,496.26**	224,936,179.83	

Note – Please refer Form 4A of Format B, Total of Gross Block at the beginning of the year y+1 (2015-16) is ₹.1646 lakhs.

(ii). **Reconciliation of Net Block of Assets**
(Annual Accounts 2014-15 Vs. TAMP Application)

Sr. No.	Description of Assets	Cos of Assets as on 31.03.2015 (Gross Value)			Remarks
		As per Annual Accounts 2014-15	Considered in TAMP Application	Difference	
1	Factory Building	31,749,758.34	31,749,758.33	0.01	
2	P&M – Barge Jetty	320,096,647.56	108,510,575.69	211,586,071.87	Cost towards berth construction has not been considered for tariff estimation.
3	P&M – Weighing Equipment	4,957,338.13	4,957,338.13	-	
4	Electrical Installation	6,336,351.81	6,336,351.82	-0.01	
5	P&M – Fire & Safety	1,811,127.36	1,811,127.37	--0.01	
6	AC/Coolers etc.	175,079.67	175,079.67	-	
7	Computer System	984,122.42	984,122.42	-	
	Total	**366,110,425.29**	**154,524,353.43**	**211,586,071.86**	

Note : In TAMP Application, Net Block of Assets is considered for calculation of ROCE.

18. The proceedings relating to consultation in this case are available on records at the office of this Authority. An excerpt of the comments received and arguments made by the concerned parties will be sent separately to the relevant parties. These details will also be made available at our website http://tariffauthority.gov.in.

19. With reference to the totality of information collected during the processing of the case, the following position emerges:

(i). With the approval of the Government of India in the Ministry of Shipping, the Kandla Port Trust (KPT) and IFFCO Kisan Bazaar and Logistics Limited (IKBLL) have entered into a Concession Agreement on 17 February 2011 under Section 42(3) of the Major Port Trusts Act, 1963, to build, operate and maintain barge jetty for unloading IKBLL's captive fertilisers and fertiliser raw materials for a period of 30 years. In order to optimise the use of the facility, in addition to the captive cargo handled by the IKBLL, the Concession Agreement provides for the IKBLL to handle dry cargo of other user also, as directed by the KPT. The tariff arrangement as envisaged in the Concession Agreement for handling of IKBLL cargo as well as cargo of other user is given below:

(a). For handling IKBLL captive Cargo:

(i). No tariff is leviable for own use of the project facilities

(b). For handling other cargo for some other users:

(i). KPT to levy and recover tariff from the owners/ consignees of cargo and the vessel owners/ agents as per KPT Scale of Rates in respect of Land, utilities and services.

(ii). KPT to levy the Berth hire charges as per KPT Scale of Rates and share 50% of the same with IKBLL.

(iii). KPT to levy 100% wharfage charges on the other cargo as per KPT Scale of Rates.

(iv). IKBLL to recover cargo handling charges as per the rates fixed by this Authority and share 25% of the same with KPT.

(As per the proposed Scale of Rates of IKBLL, the handling charge is towards unloading of the cargo from the Barge and loading on to trucks in respect of import cargo and vice-a-versa for export cargo.)

Thus, based on the stipulation contained in the Concession Agreement, the IKBLL has come up with a proposal for fixing the cargo handling charges to be levied by it on the cargo of other users. The cargo of other user as envisaged to be handled at the facility are dry bulk cargo, bagged cargo and timber logs. The KPT has confirmed that the cargo profile of other users as envisaged to be handled by the IKBLL is in line with the provisions of the Concession Agreement.

(ii). The Upfront tariff Guidelines issued in February 2008 is applicable for Public Private Partnership (PPP) Projects, whose bids have been received after 26 February 2008 and upto 30 July 2013, as with effect from 31 July 2013, fixation of tariff for the PPPs is governed by a different set of Reference tariff Guidelines issued by the Ministry in July/ September 2013. It is seen from the Concession Agreement that bids were invited from the interested bidders by the KPT to build, operate and maintain barge jetty in October 2009. In view of this position, the KPT was specifically requested to clarify as to why it did not approach this Authority for determination of upfront tariff for the project under reference based on the 2008 guidelines, prior to inviting bids as per clause 1.3.1 of the said guidelines. In this regard, the KPT has sought to clarify that the project is not a common user PPP Project but has been awarded to IKBLL based on the then prevailing Captive Policy Guidelines and that Captive Projects are not awarded with the upfront tariff as per the referred Guidelines.

The argument of the KPT is that the IKBLL project is a captive project and captive projects are not awarded with the upfront tariff. In this connection, it is relevant to draw reference to a proposal filed by another port, i.e. VOCPT for fixation of tariff for the captive project of North Cargo Berth – I awarded to the NLC Tamilnadu Power Limited (NTPL). This VOCPT proposal is being simultaneously disposed of for fixation of tariff. The proposal of VOCPT for fixation of tariff is under upfront tariff fixation guidelines, 2008; whereas, the IKBLL proposal is for fixation of tariff under 2005 guidelines. In the case of VOCPT proposal, the revenue share arrangement is yet to be decided by the concerned parties and Concession Agreement is also yet to be entered into between the VOCPT and NTPL. This is the position prevailing at the VOCPT, though the VOCPT has awarded NCB-I to NTPL. Juxtaposed to this position, the revenue share arrangement has already been determined and agreed upon by both KPT and IKBLL. It is noteworthy that the KPT and IKBLL have also already entered into the License Agreement on 17 February 2011. Therefore, it may not be appropriate to fix upfront tariff for IKBLL after the parties have already entered into agreement and determined the revenue share payable by the Concessioner and Concessioning Authority. Therefore, this Authority is inclined to fix tariff following the tariff guidelines of 2005 for the IKBLL. It is noteworthy that both concessionaire (IKBLL) and the Concessioning Authority (KPT) have agreed that the tariff for the IKBLL has to be fixed as per the tariff guidelines, 2005.

Further, the IKBLL has stated that as per Article 8.1 of the Concession Agreement, IKBLL is to recover cargo handling charges as per the upfront tariff fixed by this Authority. In this regard Article 8.1 of the Concession Agreement has been reproduced below:

"*Further, the Concessionaire shall collect the Cargo handling Charges at the rates approved by the TAMP for handling Other Cargo through the mechanized facility as set out in Appendix 12 and applicable from time to time and shall pay to the Concessioning Authority 25% of the same as Royalty.***"**

Also, the Appendix – 12 of the Concession Agreement merely indicates that the Cargo handling charges as and when approved by TAMP. From the above, it can be seen that the Concession Agreement does not require fixing of any upfront tariff by this Authority, as mentioned by the IKBLL.

(iii). The IKBLL had initially filed its proposal in April 2014, based on the estimates for the years 2014-15 to 2016-17. During the processing of the case, since the year 2013-14 was already over and since the IKBLL has commenced operations with effect from 16 November 2013, the IKBLL in April 2015 has updated the cost statements at our request with the actual traffic, income, expenses, capital employed for the year 2013-14 and 2014-15 and by considering the estimates for a period of three years i.e. 2015-16 to 2017-18. Thereafter, while furnishing the information/ clarification sought by us, the IKBLL in July 2015 has again revised its proposal. The revised proposal furnished by IKBLL vide its letter dated 17 July 2015 alongwith the information/ clarification furnished by the IKBLL during the processing of the case, is considered in this analysis.

(iv). As stated earlier, based on the request made by the IKBLL, this Authority vide its Order No.TAMP/55/2013-KPT dated 15 May 2015 has approved levy of the Scale of Rates as proposed by IKBLL on provisional basis. In this connection, the IKBLL has also agreed that if the final rates approved by this Authority are lower than the provisional rates, the IKBLL will refund the excess collection to the concerned users.

(v). The proposal of IKBLL is only to fix tariff for the third party cargo viz., dry bulk cargo, bagged cargo and timber logs to be handled by IKBLL at its jetty in pursuance of the provisions of the Concession Agreement. However, the Cost statement furnished by the IKBLL is for the entire traffic envisaged to be handled at the jetty i.e. comprising of captive cargo as well as third party cargo. In this regard, it is relevant to mention here that Section 42(4) of the Major Port Trusts Act, 1963, (MPT Act) read with Section 48 ibid requires rates to be notified by this Authority in respect of identified services provided by persons authorized under Section 42(3) ibid. The KPT has confirmed that authorization granted by KPT to IKBLL for Setting up of Barge Jetty on Captive Use Basis at Kandla Port is under section 42(3) of the MPT Act. In such a scenario, this Authority is statutorily required under the provisions of the MPT Act to fix tariff for the services rendered by the IKBLL as a whole, irrespective of whether the cargo handled is for own use or a third party cargo. Accordingly, the current exercise has been undertaken to fix tariff for the cargo handled at the IKBLL jetty as a whole, without going into whether the cargo is captive or a third party cargo. At the same time, in order to have a clear understanding of the financial position based on the type of cargo envisaged to be handled at the IKBLL jetty, we have made an attempt to prepare separate cost statement for “captive cargo” and “other cargo” based on the consolidated cost details furnished by the IKBLL and as discussed in the subsequent paragraphs. Incidentally, the IKBLL has refused to furnish such separate cost statements.

(vi). After the commencement of operations in November 2013, the actual captive cargo handled by the IKBLL during the years 2013-14 and 2014-15 is reported to be to the tune of 0.27 MMTPA and 1.20 MMTPA respectively. Though the Concession Agreement provides for handling of third party cargo by IKBLL, no such third party cargo is reported to have been handled by the IKBLL during the said years.

As per the Concession Agreement, the capacity of the project facility is to handle 2 MMTPA of cargo. Out of the said capacity, the traffic of captive cargo has been estimated by IKBLL at 1 MMTPA and the balance 1 MMTPA is estimated towards third party cargo, for each of the years under consideration viz., 2015-16 to 2017-18. The captive cargo of 1 MMTPA is seen to be the Minimum Guaranteed Cargo comprising of raw material or finished products of fertilizer as per the Concession Agreement.

The balance capacity of 1 MMTPA is estimated to be third party cargo comprising of dry bulk cargo, bagged cargo and timber logs. According to IKBLL, due to high berth occupancy and pre-berthing detention period at KPT, there is likely to be a shift of cargo from KPT to IKBLL, thereby leading to an additional traffic of about 0.8-1.3 MMTPA at IKBLL jetty to fully utilise the capacity created. The KPT has also stated that the traffic estimates of other cargo to the tune of 1 MMTPA seems to be reasonable.

As per clause 2.5.1 of 2005 Guidelines, Traffic projections should be in line with the projections in the five year/ annual plan and the current/ expected growth. Thus, generally, the traffic projection is expected to reflect an increasing trend on a Year on Year basis. On a request made to IKBLL to explain the reason for estimating the traffic at the same level and not projecting any growth in traffic for all the three years under consideration, the IKBLL is of the view that since the total traffic estimate is already equivalent to cargo handling capacity of the jetty at 2 MMTPA, it has not considered any growth in traffic.

Further, out of the third party cargo of 1 MMTPA for each of the years 2015-16 to 2017-18, the IKBLL has estimated the ratio of foreign and coastal cargo at 98.7:1.3. This ratio is reported to be based on the percentage of coastal and foreign cargo as obtained from the details furnished by KPT for the period 2012-13, 2013-14 & 2014-15. Further, out of the foreign cargo, dry bulk cargo, bagged/ steel and timber log constitute 76.33%, 12.38% and 11.29% respectively for all the years under consideration. Likewise, out of the coastal cargo, dry bulk cargo and bagged/ steel cargo constitute 64.31% and 35.69% respectively for all the years under consideration. No coastal timber logs are envisaged to be handled at IKBLL during the years under consideration.

Based on the above position, the traffic projections and cargo profile as furnished by the IKBLL are relied upon in this analysis.

(vii). In the cost plus approach adopted by this Authority for fixation / review of tariff of private terminals based on the stipulation contained in the 2005 Guidelines, the financial position of the operator is assessed at the existing level of tariff by taking into consideration the admissible cost and permissible return. However, in the case in reference, since the tariff is being fixed for the first time based on the stipulation contained in the 2005 Guidelines, the financial position of the operator is being analysed based on the income estimates at the proposed level of tariff, as done by the IKBLL.

The Annual Accounts of IKBLL for the years 2013-14 and 2014-15 reflect revenue income to the tune of ₹129.26 lakhs and ₹471.78 lakhs respectively. The same has been considered by IKBLL as operating income for the respective years in its Cost statement.

To arrive at the operating income for the years 2015-16 to 2017-18, the IKBLL is seen to have considered different tariff for the same type of cargo for all the years under consideration, as given below:

(₹ per tonne)

No.	Cargo Category	2015-16	2016-17	2017-18
1.	**Captive Cargo (Fertilisers and Fertillisers raw materials)**	48.67	48.46	48.31
2.	**Other cargo**			
	- Dry Bulk	48.84	48.64	48.48
	- Bagged/ Steel	59.56	59.36	59.20
	- Timber Log	58.67	58.46	58.31

The reason for the variance in the rate for each cargo item for each of the year remains unexplained. The reason for proposing higher rate for third party Dry Bulk Cargo as compared to the rate for captive cargo also remains unexplained. In the absence of any justification for proposing different rates for each of the years under consideration, the rates proposed by the IKBLL for the year 2015-16 at ₹48.84 per MT for Dry bulk cargo, ₹59.56 per MT for Bagged/steel cargo and ₹58.67 per MT for Timber log is taken into account for operating income estimation.

As brought out earlier, the captive cargo is reported to comprise fertilizers and fertilizer raw materials. The said captive cargo can also be categorized as dry bulk cargo. Since a rate has been proposed for handling dry bulk cargo of third party user, it may not be appropriate to have a different rate for handling captive dry bulk cargo at the same jetty. Therefore, the rate proposed by the IKBLL for the year 2015-16 at ₹48.84 per MT for handling Dry bulk cargo of third party is considered as the rate proposed for handling captive dry bulk cargo.

Thus, by considering the traffic estimates for each of the cargo item as estimated by the IKBLL and by considering the proposed rates as discussed above, the operating income has been estimated at the proposed level of tariff for all the years under consideration. In view of the above position, as against the total operating income of ₹994.39 lakhs, ₹990.30 lakhs and ₹987.23 lakhs estimated by the IKBLL for the years 2015-16 to 2017-18, the same is worked out to ₹995.99 lakhs for each of the year under consideration, the traffic estimate remaining constant for the said three years.

(viii). Clause 2.5.1. of the tariff guidelines of 2005 requires that the expenditure projections should be in line with traffic adjusted for price fluctuations with reference to current movement of Wholesale Price Index (WPI) for all commodities as announced by the Government of India. The annual escalation factor adopted in respect of tariff cases to be disposed during the year 2015-16 is 3.82%. Accordingly, an escalation factor of 3.82% over the actuals/ estimate of respective previous years is considered to estimate the expenditure for the years 2015-16 to 2017-18, instead of the escalation factor of 5.85% considered by the IKBLL.

(ix). The maintenance labour cost is reported to be towards the cost of labour involved in maintenance of barge jetty facilities like back up area, RCC flooring, site office building, RCC Boundary Wall, Barbed Wire Fencing, Weigh Bridge Control Room, Fire Fighting equipment, Computer system and other electrical / instrumentation items, which are reported to be in common for all types of cargo. The aggregate of Employee benefit expenses (Salary) and the Security Expense in the Annual Accounts, is seen to have been considered under maintenance labour cost.

For the year 2013-14, the maintenance labour cost as reflected at ₹1.88 lakhs in the Cost Statement represents the Employee benefit expenses only as the Security Service contract is reported to have been finalized in the month of April 2014 and hence no expenditure under this head has been reported for the year 2013-14.

For the year 2014-15, the IKBLL has considered actual maintenance labour cost at ₹20.65 lakhs, being the aggregate of ₹7.35 lakhs towards Employee benefit of 2 employees and ₹13.29 lakhs for Security Service of 11 employees. This works out to an average cost of ₹1.59 lakhs per annum for 13 employees.

For the year 2015-16, in respect of the employee benefit cost, the IKBLL has captured the impact of increase in traffic from 1 MMTPA to 2 MMTPA and then considered an escalation of 5.85% over the actuals for the year 2014-15. Since the deployment of maintenance labour towards maintenance of barge jetty facilities has no linkage to traffic unless the labour is deployed for cargo operation, the impact of increase in maintenance labour due to increase in traffic is not considered.

For the years 2015-16 to 2017-18, the IKBLL has considered the number of employees at 15. The increase in the number of the employees is a decision of the management of IKBLL and this Authority may not like to interfere with the managerial decision. The increase in the number of maintenance labour force as estimated by IKBLL for the years 2016-17 and 2017-18 is relied upon. Thereafter, an annual escalation factor of 3.82% over the estimates for the respective previous year has been considered to estimate the expenditure for the years 2015-16 to 2017-18.

(x). The estimated equipment running cost consists of two cost elements viz. power cost and repairs and maintenance which are discussed hereunder:

(a). The power consumption has been estimated by IKBLL neither towards handling of cargo nor for running the equipment. Power cost is reported to have been estimated exclusively towards Backup area lighting. The actual power cost reported in the Annual Accounts for the years 2013-14 and 2014-15 is ₹6.81 lakhs and ₹12.33 lakhs. For estimating the power cost for the years 2015-16 to 2017-18, an annual escalation factor of 5.85% over the actuals/ estimates for the respective previous year has considered by IKBLL. The annual escalation factor of 5.85% has been restricted to 3.82% as discussed earlier.

(b). The aggregate of repairs and maintenance of barge and factory building is seen to have been considered under repairs and maintenance cost. No repairs and maintenance cost is reported for the year 2013-14. For the year 2014-15, the repairs and maintenance cost reported in the Annual Accounts is ₹3.44 lakhs.

For estimating the repairs and maintenance cost for the year 2015-16, with regard to the component of repair cost on barge jetty, the IKBLL has considered an escalation factor of 5.85% over the actuals for the year 2014-15. This has been restricted to 3.82% in our analysis. However, for estimating the repairs and maintenance cost with regard to the factory building, the IKBLL is seen to have captured the impact of increase in traffic from 1 MMTPA to 2 MMTPA and then considered an escalation of 5.85% over the actuals for the year 2014-15. Repairs and maintenance on factory building does not have a bearing on the increase in the traffic. Therefore, the approach adopted by IKBLL is not considered for estimation of repairs and maintenance cost for factory building. The escalation factor of 3.82% is considered over the estimates for the respective previous year to estimate the expenses for the year 2016-17 and 2017-18.

(xi). (a). The IKBLL is seen to have awarded a contract to a party for handling Dry Bulk Cargo, Steel and Bagged Cargo and Timber Logs at the jetty. The scope of work includes unloading the material from barges and transfer the material to the hoppers and then to Dumpers/trucks directly. The estimated cost of ₹424 lakhs per annum includes cost of handling dry bulk captive cargo also. The contractor has to provide cranes and equipment necessary for handling the cargo. It is in this connection, that the IKBLL has estimated the equipment hire charges for the years 2015-16 to 2017-18. As per the document furnished by the IKBLL, it is seen that the rate to handle dry bulk cargo, steel & Bagged cargo and Timber is ₹20/- per MT, ₹30/- per MT and ₹30/- per MT. While the IKBLL has considered all the three rates for third party cargo, it has considered the rate of ₹20 per ton for captive Dry Bulk Cargo. The IKBLL has confirmed that the contract has been awarded following competitive bidding process and that the contract rates are exclusive of service tax. Considering the traffic estimates of each of the cargo item and the rates as given above, the IKBLL is seen to have arrived at uniform Equipment hire charges for all the years under consideration. The amount of Equipment hire charges as estimated by the IKBLL is considered in the analysis. No equipment hire charges is reported to have been incurred by IKBLL during the years 2013-14 and 2014-15.

(b). The rates of ₹20 per MT, ₹30 per MT & ₹30 per MT respectively for each cargo item, are the negotiated rates. The KPT has made an observation that the

IKBLL has brought down the rates by negotiation with the lowest tenders in June 2015 after approval of the provisional tariff in May 2015; and, it will have an impact on the revenue share payable to KPT, since the reduced rates are considered in the revised proposal. This is inevitable since only the negotiated rates can be considered for tariff fixation, as proposed by the KPT. As regards the impact on the third party users, the difference between the final rates and provisional rates will have to be refunded to them, as already agreed by IKBLL.

(xii). As per Clause 2.8.1 of the 2005 tariff guidelines, in BOT cases where bidding process was finalised after 29 July 2003, Royalty/ Revenue share' payable to the landlord port by the private operator is not allowed as an admissible cost for tariff computation. In the case in reference, the KPT and the IKBLL have entered into the Concession Agreement on 17 February 2011. Thus, in line with the stipulation contained in the 2005 guidelines, royalty/ revenue share is not treated as pass through in tariff fixation of IKBLL. It is noteworthy that the Licensor port KPT has also endorsed this position.

(xiii). (a). The expenditure captured by IKBLL under the head of Lease Rentals comprises of licence fee in respect of land area, waterfront area and custom establishment charges. The lease rental considered by the IKBLL for the year 2013-14 at ₹56 lakhs comprises of ₹51.49 lakhs towards license fees and water front charges and ₹4.51 lakhs towards Custom Establishment Charges. For the year 2014-15 the IKBLL in its cost statement has considered the lease rent at ₹184.70 lakhs comprising of ₹54.43 lakhs for license fees for land, ₹84.89 lakhs towards Water Front Charges and ₹45.17 lakhs for the Custom Establishment Charges.

(b). Clause 9.1 (A) (a) (i) of the Concession Agreement entered by IKBLL and KPT, stipulates that IKBLL has to pay ₹45,36,000/- (i.e. 36000 sq.mtr of back up area * ₹ 10.5 per month * 12 months) every year till the end of the license period as per the Schedule of Rates prevailing from time to time. As per the document furnished by IKBLL, it is seen that the KPT has demanded a licence fee of ₹54,43,200/- (36,000 sq. m X 12.6 X 12) for the period 17 February 2015 to 16 February 2016 from IKBLL. The rate of ₹12.6 per sq.m is reported to be as per Section 2.5 (A) of the existing Scale of Rates of KPT, which prescribes Licence (Storage) Fees On General Cargo for Open Space. The rate of ₹12.6 per sq.m considered by KPT and adopted by IKBLL represents the rate of Kutchha Plots (uncemented/ unasphalted) for occupation beyond 180 days. Since the Scale of Rates of KPT do not provide for any escalation on the rates prescribed in Section 2.5, the same licence fee of ₹54.43 lakhs has been considered as the licence fees for land for all the years under consideration i.e. 2014-15 to 2017-18.

(c). As per clause 9.1 (A) (a)(ii) of the Concession Agreement, the IKBLL has to pay KPT a sum of ₹80 lakhs towards use of water front area of 120 meters long and 20 meters wide subject to yearly escalation as per Land Policy prevailing from time to time. Since the extant Land Policy Guidelines prescribes an escalation factor of 2% per annum, the IKBLL has reported to have adopted the said escalation factor to estimate the license fee towards waterfront charges for all the years under consideration viz., 2013-14 to 2017-18. The same is considered in the analysis.

(d). The Custom establishment charges considered under the head of Lease Rentals by IKBLL is reported to be an obligatory payment to be made by IKBLL to the Custom authorities at Kandla towards posting of custom staff at the jetty. As per the documents furnished by the IKBLL, it is seen that the IKBLL has incurred an amount of ₹45.17 lakhs towards Custom Establishment charges during the year 2014-15. The same is taken as base and escalated by 3.82% per annum to arrive at the estimates for the years for the years 2015-16 to 2017-18 instead of the escalation factor of 5.85% considered by the IKBLL.

(xiv). The facility is reported to be common for handling captive and third party cargo. The insurance cost is reported to be towards fire policy for Barge Jetty and Other facilities. The actual insurance cost for the year 2013-14 and 2014-15 is reported at ₹2.82 lakhs and ₹8.01 lakhs respectively. The insurance premium for the years 2015-16 to 2017-18 is estimated by considering an annual escalation of 3.82% over the actuals/ estimates for the respective previous years, instead of 5.85% adopted by IKBLL.

(xv). (a). The Other expenses is reported to be estimated based on the actual cost incurred. For the year 2014-15, the IKBLL is seen to have considered an amount of ₹34.15 lakhs. From the Annual Accounts, it is seen that the Other expenses comprise of expenses incurred towards Books, Periodicals and Newspaper, Travelling Expenses, Legal Expenses, Printing & Stationery Expenses, Horticulture Expenses, Professional Service Charges, Advertisement & Publicity Expenses, Training Expenses-Inland, Store Overhead Expenses, Misc. Expenses, Prior Period Expenses and Finance Costs.

(b). Since Return is allowed on Capital Employed (ROCE), interest on loan is not treated as an item of expenditure in fixation of tariff of private terminals. The finance cost considered by IKBLL is not considered in our analysis. Further, some items of expenditure like Horticulture Expenses, Prior Period Expenses etc., are seen to have been excluded by IKBLL and thereafter an escalation factor of 5.85% has been adopted by IKBLL to estimate the other expenses for the years 2015-16 to 2017-18. The reason for exclusion of these cost elements has not been explained by IKBLL. The approach adopted by IKBLL is relied upon except that the annual escalation of 3.82% is considered to estimate the expenditure for the years 2015-16 to 2017-18.

(xvi). Clause 2.7.1 of the tariff guidelines of 2005 stipulates that depreciation has to be allowed on straight line method with life norms adopted as per the Companies Act, or based on the life norms prescribed in the Concession Agreement whichever is higher. The IKBLL has confirmed that depreciation computed by it is in line with clause 2.7.1 of the tariff guidelines of 2005. The IKBLL has reported that it has calculated depreciation as per the useful life prescribed in Schedule II of Part C of Companies Act 2013. The amount of depreciation considered by IKBLL for the years 2015-16 to 2017-18 is relied upon and considered in the analysis.

(xvii). (a). The net block of assets as reflected in the Annual Accounts for the year 2014-15 is seen at ₹3661.10 lakhs. From this figure, IKBLL is seen to have excluded an amount of ₹2115.86 lakhs towards berth construction cost in the Cost statement for the purpose of determination of tariff. In this connection, it is relevant to mention here that as seen from the Concession Agreement, the KPT has handed over the barge jetty measuring 120 m x 20 m to IKBLL during the Concession period. It is in this context that the KPT in its submissions appears to have stated that the cost of the berth should be excluded in the tariff fixation of IKBLL. IKBLL has rightly excluded the berth cost from the ambit of tariff fixation. Thus, the net block of asset as on 31 March 2015 comprising of cost plant and machinery, Buildings, Sheds & other structures, Information Technology, Furniture & Fixture at ₹1545.24 lakhs is considered as base by IKBLL to estimate the net block of assets for the years 2015-16 to 2017-18. The IKBLL has not projected any additions to the gross block of assets for the years 2015-16 to 2017-18.

(b). The working capital as estimated by IKBLL is not considered and instead the working capital has been estimated based on the stipulation contained in Clause 2.9.9 of 2005 guidelines, which is analysed below:

(i). The sundry debtors have been estimated by the IKBLL at ₹19.84 lakhs for each of the years under consideration. Out of ₹19.84 lakhs, ₹15.46 lakhs is seen to be the trade receivables as reflected in the annual accounts for the year 2014-15 and the source for the balance ₹4.16 lakhs remains unexplained. As per Clause 2.9.9 of the 2005 guidelines, sundry debtors balance is to be two months' Estate income & Railway Terminal charges payable by Indian Railways. Incase of IKBLL, there is neither income from estates nor any charges are payable by the Railways.

However, prepayments and advance to be made by the private operators as per the license agreement to the respective licensor port is recognized as the limit for sundry debtors to the extent they are otherwise permissible as pass through, based on a Common Order of September 2008. In the case of IKBLL, the licence fee towards the land and waterfront area is required to be paid in advance to KPT. The advance payment will get adjusted against the licence fee payable for the respective month and at the year end, the entire advance would get adjusted. That being so, 50% of the licence fee and water front charges estimated by the IKBLL and discussed earlier amounting to ₹25.75 lakhs, ₹69.66 lakhs, ₹70.51 lakhs, ₹71.38 lakhs and ₹72.26 lakhs, is considered as sundry debtors forming part of Working Capital for each of the respective years 2013-14 to 2017-18.

(ii). Clause 2.9.9 of the 2005 guidelines, stipulates estimating the inventory at six months consumption of stores and spares. The annual Accounts for the year 2013-14 and 2014-15 show 'nil' consumption of materials. Therefore, no inventory is considered as part of working capital.

(iii). In line with the 2005 guidelines, the Cash balance has been calculated at one month's cash operating expenses including overheads.

(iv). Current liabilities have been considered as estimated by the IKBLL at ₹27.31 lakhs, ₹25.95 lakhs, ₹26.65 lakhs, ₹27.29 lakhs and ₹27.99 lakhs for the years 2013-14 to 2017-18.

(v). A comparative statement of the Working capital as estimated by IKBLL and as modified by us is given below:

Particulars	As estimated by IKBLL			As moderated by us		
Current Assets	2015-16	2016-17	2017-18	2015-16	2016-17	2017-18
- Debtors	19.84	19.84	19.84	70.51	71.38	72.26
- Inventory	2.00	2.00	2.00	-	-	-
- Cash	24.45	24.45	24.45	55.30	55.75	56.23
Total Current Assets	46.29	46.29	46.29	125.81	127.13	128.49
Less: Current Liabilities	26.65	27.29	27.99	26.65	27.29	27.99
Working Capital	19.63	19.00	18.30	99.15	99.85	100.50

(c). Subject to above adjustments, the Capital Employed comprising of Net Block of Assets and Working capital works out to ₹ 572.60 lakhs, ₹1501.91 lakhs and ₹1431.19 lakhs for the years 2015-16 to 2017-18, as against the capital employed of ₹1493.08 lakhs, ₹1421.07 lakhs and ₹1348.98 lakhs estimated by the IKBLL for the respective years.

(xviii). As stated earlier, the assessed capacity of IKBLL is 2 million tonnes. This assessment is relevant for the purpose of assessing the reasonableness of the traffic estimates of IKBLL and to decide on the entitlement of IKBLL for the maximum permissible level of Return on Capital Employed as per Clause 2.9.10 of the 2005 guidelines. Since the capacity utilization works out to more than 60%, Return on the Capital Employed at the rate of 16% is allowed for the years 2013-14 to 2017-18.

(xix). (a). Subject to the above discussions, the Cost statement for the IKBLL as a whole, Cost statement for the Captive Cargo handled by IKBLL and Cost statement for the Other Party Cargo handled by IKBLL, have been modified. The modified Cost statements are attached as **Annex – I (a), I (b)** and **I (c)** respectively. The results disclosed in the Cost statement are summarized below:

(₹ In lakhs)

Sr. No	Particulars	Operating Income (Rs. In lakhs)				Net Surplus(+)/ Deficit(-) (Rs. In lakhs)				Net Surplus(+)/ Deficit(-) as a % of operating Income			Average Surplus/ Deficit %
		2015-16	2016-17	2017-18	Total	2015-16	2016-17	2017-18	Total	2015-16	2016-17	2017-18	
1	**IKBLL as a whole**	**995.99**	**995.99**	**995.99**	**2987.98**	**9.03**	**15.26**	**20.91**	**45.21**	**0.91%**	**1.53%**	**2.10%**	**1.51%**
2	Captive Cargo	488.40	488.40	488.40	**1465.20**	6.92	10.04	12.86	**29.81**	1.42%	2.05%	2.63%	2.03%
3	Third party cargo	507.59	507.59	507.59	**1522.78**	2.11	5.23	8.05	**15.39**	0.42%	1.03%	1.59%	1.01%

(b). As can be seen from the above table, the IKBLL is in surplus to the tune of only about ₹45.21 lakhs during the years 2015-16 to 2017-18, if it operates the facility at the proposed level of tariff. This works out to 1.51% on average basis for the entire three years. In other words, with the levy of the proposed tariff (as slightly modified by us, as discussed earlier), the IKBLL would be in a position to meet its admissible costs and permissible return during the balance period of the current tariff cycle. In view of the cost position, this Authority is inclined to allow levy of the proposed tariff (as slightly modified by us) by IKBLL.

(c). In this connection, it is recalled that, based on the request made by IKBLL, this Authority vide its Order dated 15 May 2015 has approved levy of the Scale of Rates as proposed by IKBLL in its proposal of April 2015 on provisional basis. Subsequently, the IKBLL in its revised proposal of July 2015 has proposed lower rates as compared to its April 2015 proposal. As a result, the interim rates levied by IKBLL with effect from May 2015 is found to be higher than the proposed rates modified by us. A comparative position of the existing interim tariff levied by the IKBLL and the proposed tariff (as slightly modified by us) is given below:

(Rate in ₹ per MT)

Sr. No.	Commodity	Existing interim tariff approved in May 2015		Proposed tariff as modified by us	
		Foreign Cargo	Coastal Cargo	Foreign Cargo	Coastal Cargo
(a).	Other dry bulk	63.30	38.00	48.84	29.30
(b).	Steel and Bagged cargo	78.30	47.00	59.56	35.74
(c).	Timber Logs	78.30	47.00	58.67	35.20

(d). Given that the IKBLL has agreed to the position that if the final rates approved by this Authority are lower than the provisional rates, the IKBLL will refund the excess collection to the concerned users, the levy of the new proposed tariff approved will come into effect from the effective date of levy of interim tariff by IKBLL. The IKBLL is directed to refund the differential to the concerned users immediately and submit a Compliance Report to this effect within sixty days from the date of notification of the Order passed, to the Licensor port KPT and to this Authority.

20.1. In the result, and for the reasons given above, and based on a collective application of mind, this Authority approves replacement of the table under Section 3 – Cargo handling charges in the existing Scale of Rates of IKBLL, with the following table:

"

Sr. No.	Commodity	Rate in ₹ per tonne	
		Foreign Cargo	Coastal Cargo
(a).	Other dry bulk	48.84	29.30
(b).	Steel and Bagged cargo	59.56	35.74
(c).	Timber Logs	58.67	35.20

"

20.2. The revised Rates at IKBLL will come into effect from the effective date of levy of interim tariff by IKBLL and shall be in force till 31 March 2018. The approval accorded shall automatically lapse thereafter unless specifically extended by this Authority.

20.3. The IKBLL is advised to refund the differential to the concerned users immediately and submit a Compliance Report to this effect within sixty days from the date of notification of the Order passed, to the Licensor port KPT and to this Authority.

20.4. The tariff of the IKBLL has been fixed on the information furnished by the operator and based on various assumptions made as explained in the analysis. If this Authority at any time during the prescribed tariff validity period, finds that the actual position varies substantially from the estimations considered or there is deviation from the assumptions accepted herein, it may require the IKBLL to file a proposal ahead of the schedule to review its tariff and to set off fully the advantage accrued on account of such variations in the revised tariff.

20.5. In this regard, the IKBLL is requested to furnish a report of the actual physical and financial performance within 15 days of completion of each quarter of a year in the same format in which the cost statement for the tariff proposals are filed. The report should also be accompanied with the reasons for variation from the estimates relied upon for fixing the tariff in force. If a variation of (+)/(-)20% is observed between the actual and the estimates for two consecutive quarterly period, this Authority may call upon the IKBLL to submit their proposal for an ahead of scheduled review. If the IKBLL fails to file a tariff proposal within the time limit to be stipulated by this Authority, this Authority may proceed *suo motu* to review the tariff.

(T.S. Balasubramanian)
Member (Finance)

Annex - I (a)

IFFCO Kisan Bazaar and Logistics Limited (IKBLL)

Consolidated Cost statement for IKBLL as a whole

(₹ in Lakhs)

Sr. No.	Particulars	Actuals		Estimates at the proposed level of tariff as per proposal dated 17 July 2015			Estimates at the proposed level of tariff as modified by TAMP		
		2013-14	2014-15	2015-16	2016-17	2017-18	2015-16	2016-17	2017-18
	Total Traffic (In MMTPA)	**0.27**	**1.20**	**2.00**	**2.00**	**2.00**	**2.00**	**2.00**	**2.00**
	(i) Captive Cargo	**0.27**	**1.20**	**1.00**	**1.00**	**1.00**	**1.00**	**1.00**	**1.00**
	(ii) Third Party Cargo	**-**	**-**	**1.00**	**1.00**	**1.00**	**1.00**	**1.00**	**1.00**
	- Foreign Cargo	-	-	0.97	0.97	0.97	0.97	0.97	0.97
	- Coastal Cargo	-	-	0.03	0.03	0.03	0.03	0.03	0.03
I	**Total Operating Income**								
	Cargo handling income	129.26	471.74	994.39	990.30	987.23	995.99	995.99	995.99
	Others	-	0.04	-	-	-	-	-	-
	Total	**129.26**	**471.78**	**994.39**	**990.30**	**987.23**	**995.99**	**995.99**	**995.99**
II	**Operating Costs (excluding depreciation)**								
	(i) Operating & Direct Labour	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	(ii) Maintenance Labour	1.88	20.65	29.64	31.37	33.21	24.73	25.68	26.66
	(iii) Equipment Running Costs *	6.81	15.77	18.66	19.75	20.91	16.37	17.00	17.65
	(iv) Equipment Hire	0.00	0.00	424.00	424.00	424.00	424.00	424.00	424.00
	(v) Lease Rentals payable	51.49	139.32	188.84	193.36	198.09	141.03	142.76	144.52
	(vi). Custom establishment Charges	4.51	45.16				46.89	48.68	50.54
	(vii) Insurance	2.82	8.01	8.74	9.25	9.79	8.32	8.64	8.97
	(viii) Other expenses	0.00	34.15	2.20	2.32	2.46	2.20	2.28	2.37
	Total (i to viii)	**67.51**	**263.06**	**672.07**	**680.07**	**688.46**	**663.54**	**669.04**	**674.71**
III	Depreciation **	72.95	161.10	71.80	71.38	71.38	71.80	71.38	71.38
IV	Overheads	-	-	-	-	-	-	-	-
VI	Finance & Miscellaneous Income (FMI)	-	-	-	-	-	-	-	-
VIII	Capital Employed (Net)	1687.38	1565.58	1493.08	1421.07	1348.98	1572.60	1501.91	1431.19
IX	Return on Capital Employed	269.98	250.49	238.89	227.37	215.84	251.62	240.31	228.99
X	Capacity Utilization	Exeeds 60% utilisation		Exeeds 60% utilisation			Exeeds 60% utilisation		
XI	RoCE adjusted for capacity utilization	269.98	250.49	238.89	227.37	215.84	251.62	240.31	228.99
XII	**Net Surplus / (Deficit) (V) - (VIII)**	-281.18	-202.88	11.63	11.48	11.55	9.03	15.26	20.91
XIII	**Net Surplus / (Deficit) as a % of operating income (XII/I in %)**			0%	0%	0%	0.91%	1.53%	2.10%
XIV	**Average**			**0.00%**			**1.51%**		

* Power cost and Repairs & Maintenance cost

** Depreciation for the year 2014-15 includes the amount of depreciation towards entire cost of barge jetty and depreciation for the other years excludes depreciation towards cost of barge jetty as suggested by KPT and as confirmed by IKBLL.

Annex - I (b)

IFFCO Kisan Bazaar and Logistics Limited (IKBLL)

Cost statement for the Captive Cargo

(₹ in Lakhs)

Sr. No.	Particulars	Actuals		Estimates at the proposed level of tariff as per proposal dated 17 July 2015			Estimates at the proposed level of tariff as modified by TAMP		
		2013-14	2014-15	2015-16	2016-17	2017-18	2015-16	2016-17	2017-18
	Total Traffic for Captive Cargo (In MMTPA)	**0.27**	**1.20**	**1.00**	**1.00**	**1.00**	**1.00**	**1.00**	**1.00**
I	**Total Operating Income**								
	Cargo handling income	129.26	471.74	486.70	484.60	483.10	488.40	488.40	488.40
	Others		0.04	-	-	-	-	-	-
	Total	**129.26**	**471.78**	**486.70**	**484.60**	**483.10**	**488.40**	**488.40**	**488.40**
II	**Operating Costs (excluding depreciation)**								
	(i) Operating & Direct Labour	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	(ii) Maintenance Labour	1.88	20.65	14.82	15.69	16.61	12.37	12.84	13.33
	(iii) Equipment Running Costs *	6.81	15.77	9.33	9.88	10.46	8.19	8.50	8.82
	(iv) Equipment Hire	0.00	0.00	200.00	200.00	200.00	200.00	200.00	200.00
	(v) Lease Rentals payable	51.49	139.32	94.42	96.68	99.05	70.51	71.38	72.26
	(vi). Custom establishment Charges	4.51	45.16				23.45	24.34	25.27
	(vii) Insurance	2.82	8.01	4.37	4.63	4.90	4.16	4.32	4.48
	(viii) Other expenses	0.00	34.15	1.10	1.16	1.23	1.10	1.14	1.19
	Total (i to viii)	**67.51**	**263.06**	**324.03**	**328.05**	**332.23**	**319.77**	**322.52**	**325.36**
III	Depreciation **	72.95	161.10	35.90	35.69	35.69	35.90	35.69	35.69
IV	**Operating Surplus / (Deficit) (I) – (II) – (III)**	**-11.20**	**47.62**	**126.77**	**120.86**	**115.18**	**132.73**	**130.19**	**127.35**
V	**Surplus Before Interest and Tax)**	-11.20	47.62	**126.77**	**120.86**	**115.18**	**132.73**	**130.19**	**127.35**
VI	Capital Employed (Net)	1687.38	1565.58	1493.08	1421.07	1348.98	1572.60	1501.91	1431.19
VII	Return on Capital Employed	269.98	250.49	119.45	113.69	107.92	125.81	120.15	114.49
VIII	Capacity Utilization	Exeeds 60% utilisation		Exeeds 60% utilisation			Exeeds 60% utilisation		
IX	RoCE adjusted for capacity utilization	269.98	250.49	119.45	113.69	107.92	125.81	120.15	114.49
X	**Net Surplus / (Deficit) (V) - (VIII)**	-281.18	-202.88	7.33	7.18	7.26	6.92	10.04	12.86
XI	**Net Surplus / (Deficit) as a % of operating income (IX/I in %)**			0%	0%	0%	1.42%	2.05%	2.63%
XII	**Average**						2.03%		

* Power cost and Repairs & Maintenance cost

** Depreciation for the year 2014-15 includes the amount of depreciation towards entire cost of barge jetty and depreciation for the other years excludes depreciation towards cost of barge jetty as suggested by KPT and as confirmed by IKBLL.

Annex - I (c)

IFFCO Kisan Bazaar and Logistics Limited (IKBLL)

Cost statement for the Other Party Cargo

(₹ in Lakhs)

Sr. No.	Particulars	Actuals		Estimates at the proposed level of tariff as per proposal dated 17 July 2015			Estimates at the proposed level of tariff as modified by TAMP		
		2013-14	2014-15	2015-16	2016-17	2017-18	2015-16	2016-17	2017-18
	Traffic for Third Party Cargo (In MMTPA)								
	- Foreign Cargo	-	-	0.97	0.97	0.97	0.97	0.97	0.97
	- Coastal Cargo	-	-	0.03	0.03	0.03	0.03	0.03	0.03
	Total Traffic for Third Party Cargo (In MMTPA)	-	-	**1.00**	**1.00**	**1.00**	**1.00**	**1.00**	**1.00**
I	**Total Operating Income**								
	Cargo handling income								
	(i). Foreign Cargo	-	-	**499.50**	**497.54**	**495.99**	**499.50**	**499.50**	**499.50**
	- Dry Bulk	-	-	363.14	361.65	360.46	363.14	363.14	363.14
	- Bagged/ Steel	-	-	71.82	71.58	71.39	71.82	71.82	71.82
	- Timber Log	-	-	64.54	64.31	64.14	64.54	64.54	64.54
	(ii). Coastal Cargo	-	-	**8.19**	**8.16**	**8.13**	**8.09**	**8.09**	**8.09**
	- Dry Bulk	-	-	4.83	4.81	4.79	4.83	4.83	4.83
	- Bagged/ Steel	-	-	3.36	3.35	3.34	3.27	3.27	3.27
	- Timber Log	-	-	0.00	0.00	0.00	0.00	0.00	0.00
	Total Operating Income			**507.69**	**505.70**	**504.13**	**507.59**	**507.59**	**507.59**
II	**Operating Costs (excluding depreciation)**								
	(i) Operating & Direct Labour	-	-	0.00	0.00	0.00	0.00	0.00	0.00
	(ii) Maintenance Labour	-	-	14.82	15.69	16.61	12.37	12.84	13.33
	(iii) Equipment Running Costs *	-	-	9.33	9.88	10.46	8.19	8.50	8.82
	(iv) Equipment Hire	-	-	224.00	224.00	224.00	224.00	224.00	224.00
	(v) Lease Rentals payable			94.42	96.68	99.05	70.51	71.38	72.26
	(vi). Custom establishment Charges	-	-				23.45	24.34	25.27
	(vii) Insurance	-	-	4.37	4.63	4.90	4.16	4.32	4.48
	(viii) Other expenses	-	-	1.10	1.16	1.23	1.10	1.14	1.19
	Total (i to vii)	-	-	**348.03**	**352.05**	**356.23**	**343.77**	**346.52**	**349.36**
III	Depreciation **	-	-	35.90	35.69	35.69	35.90	35.69	35.69
IV	**Operating Surplus / (Deficit) (I) – (II) – (III)**	-	-	**123.76**	**117.96**	**112.21**	**127.92**	**125.38**	**122.54**
V	**Surplus Before Interest and Tax)**	-	-	**123.76**	**117.96**	**112.21**	**127.92**	**125.38**	**122.54**
VI	Capital Employed (Net)	-	-	1493.08	1421.07	1348.98	1572.60	1501.91	1431.19
VII	Return on Capital Employed	-	-	119.45	113.69	107.92	125.81	120.15	114.49
VIII	Capacity Utilization	-	-	Exeeds 60% utilisation			Exeeds 60% utilisation		
IX	RoCE adjusted for capacity utilization	-	-	119.45	113.69	107.92	125.81	120.15	114.49
X	**Net Surplus / (Deficit) (V) - (VIII)**	-	-	**4.31**	**4.28**	**4.29**	**2.11**	**5.23**	**8.05**
XI	**Net Surplus / (Deficit) as a % of operating income (IX/I in %)**	-	-	0%	0%	0%	0.42%	1.03%	1.59%
XII	**Average**	-	-				1.01%		

* Power cost and Repairs & Maintenance cost

** Depreciation for the year 2014-15 includes the amount of depreciation towards entire cost of barge jetty and depreciation for the other years excludes depreciation towards cost of barge jetty as suggested by KPT and as confirmed by IKBLL.

SUMMARY OF THE COMMENTS RECEIVED FROM THE PORT USERS / DIFFERENT USER ORGANISATIONS AND ARGUMENTS MADE IN THIS CASE DURING THE JOINT HEARING BEFORE THE AUTHORITY

F. No.TAMP/55/2013-KPT - Proposal received from the IFFCO Kisan Bazar and Logistics Limited (IKBLL) for fixation of tariff for barge jetty operated by it at Kandla Port Trust (KPT).

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A summary of the comments furnished by the KPT on the IFFCO Kisan Bazar and Logistics Limited (IKBLL) proposal dated 26 April 2014 and 12 June 2014 and the draft Scale of Rates dated 09 July 2014 and the response of IKBLL thereon are tabulated below:

<table>
<tr><th>Sr. No</th><th>Comments of the Kandla Port Trust (KPT)</th><th>Reply received by IKBLL</th></tr>
<tr><td>(A).</td><td>Comments of KPT on IKBLL proposal dated 26 April 2014.</td><td></td></tr>
<tr><td>(i).</td><td>In the Graph of the Traffic at KPT, figures of traffic volume not shown.</td><td>Chart shown in the report is a stacked chart; X-axis represents the traffic volume.</td></tr>
<tr><td>(ii).</td><td>The details regarding the infrastructure facilities (number of equipments-weighbridges, wharf cranes etc.) at KPT is not updated.</td><td>Facilities mentioned in the report are as of port website, 2012-13 data</td></tr>
<tr><td>(iii).</td><td>In the Graph of the Traffic and Capacity addition at KPT, figures of quantity are not shown.</td><td>Chart shown in the report is a stacked chart; X-axis represents the quantity</td></tr>
<tr><td>(iv).</td><td>Under table 5: IFFCO's historical traffic, unit of traffic is not mentioned (MTPA). Specific to this project, no year wise traffic have been provided with clear methodology of the traffic projection. Further, IKBLL has mentioned merely that 3-5% shift would be enough to attract traffic equal to capacity, this is not a proper method. No certain basis, sound analysis is provided to arrive at such percentage of shift of traffic from KPT to IKBLL Jetty.

Under table 6: Distribution of KPT's general cargo broken up into Dry Cargo. Bagged Cargo and Timber Logs sourced from KPT. Copy of such information received from KPT not annexed with the proposal by IKBLL.</td><td>In order to utilize the remaining capacity of 1 MMTPA, a traffic shift of 3-5% (available capacity/total general cargo traffic of KPT) from Kandla port to IKBLL jetty has been assumed. A 3-5% shift in traffic would create a 0.71-1.14 MMTPA of additional traffic to IKBL-barge jetty, thus fully utilizing the new capacity created. This assumption has been made after observing the growing berth occupancy rates and the pre-berthing detention at Kandla port which are approximately 92% and 3.62 days respectively (way beyond the optimal efficiency levels of 76%). Also, IKBLL has approached KPT for sharing the documentary evidence mentioning the traffic volume that can be diverted to IKBLL jetty, but KPT has denied to share the same. The traffic mentioned in report is metric tonnes per annum. Table below demonstrates the same i.e. average 3-5% shift can help IKBLL utilize the additional capacity of ~0.75MMTPA to ~1MMTPA.

Data/ information received from KPT is furnished as below :
Qty. – MTS/Lacs
<table>
<tr><th>Sr.</th><th>Year</th><th>Dry cargo</th><th>Bagged cargo</th><th>Timber Logs</th><th>Total</th></tr>
<tr><td>1</td><td>2008-09</td><td>138.36</td><td>27.7</td><td>18.86</td><td>184.92</td></tr>
<tr><td>2</td><td>2009-10</td><td>164.31</td><td>28.1</td><td>29.08</td><td>221.49</td></tr>
<tr><td>3</td><td>2010-11</td><td>178.5</td><td>29.87</td><td>31.05</td><td>239.42</td></tr>
<tr><td>4</td><td>2011-12</td><td>199.36</td><td>30.92</td><td>22.71</td><td>252.99</td></tr>
</table></td></tr>
</table>

<table>
<tr>
<td></td>
<td>Moreover, as per 2.5.1 of 2005 Guidelines, Traffic projections should be in line with the projections in the five year / annual plan and the current / expected growth. But, no reference of five year plan/ annual plan and the current and expected growth of traffic at KPT have been provided while projecting traffic for IKBLL Barge Jetty.</td>
<td>
<table>
<tr><td>5</td><td>2012-13</td><td>229.52</td><td>40.85</td><td>27.99</td><td>298.36</td></tr>
<tr><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td></td><td>Total</td><td>910.05</td><td>157.44</td><td>129.69</td><td>1197.18</td></tr>
<tr><td></td><td>Ratio to total traffic in %</td><td>76.02</td><td>13.15</td><td>10.83</td><td>100</td></tr>
</table>
Concession agreement has a minimum guarantee clause in which IKBLL has guaranteed a minimum throughput of 1 MMTPA of captive cargo. Hence, to utilize the maximum capacity IKBLL requires only 1MMTPA of cargo, which is assumed to be diverted by KPT given the high berth occupancy levels and pre-berthing detention. Therefore while computing per ton tariff, full capacity i.e. 2MMTPA is taken into consideration. Any future plans of IFFCO-IKBLL imports will not change the total capacity and will be redundant to any calculation. However, for KPT review, the same is furnished.
</td>
</tr>
<tr>
<td>(v).</td>
<td><u>Capital Investment:</u>
Depreciation rate for factory buildings has been considered at 3.57% instead of 3.33% based on Companies Act, 2013.
Depreciation rate for Weighing equipment has been considered at 4.75% instead of 6.67% based on Companies Act, 2013.
AC and Coolers have been depreciated at 6.33% instead of 10% based on Companies Act, 2013.
Computer System has been depreciated at 16.21% instead of 16.67% as per Companies Act, 2013.</td>
<td>Agreed.

Application was prepared in the month of March-2014 when revised rate of depreciation as per Schedule II of Companies Act, 2013 was not notified. Hence, depreciation rate considered was as per Schedule XIV of Companies Act, 1956.

However, Impact of Revised depreciation on per tonne is worked out, which is found to be negligible.</td>
</tr>
<tr>
<td>(vi).</td>
<td>Working Capital investment has not been considered by IKBLL while calculating the Capital Employed i.e., Net Fixed Asset plus Working Capital.
Excluding the working capital from capital employed may reduce the tariff and in turn the same would reduce the royalty to be earned by KPT.</td>
<td>Working capital requirements for IKBLL will be minimal. Hence, not considered while calculating ROCE.

However, Impact of Working Capital in tariff is worked out which is found to be negligible</td>
</tr>
<tr>
<td>(vii).</td>
<td>Revenue Share cannot be allowed as an expense while calculating the tariff in accordance with 2005 guidelines.</td>
<td>Agreed.
We have proposed an alternative tariff without considering revenue share with KPT, which is considered.</td>
</tr>
<tr>
<td>(viii).</td>
<td><u>Scale of Rates:</u>
As per para 3.1.8 of TAMP guidelines 2005, Tariff once fixed shall be in force for three years unless a different period is explicitly prescribed in any individual case by TAMP or in the past concession agreement. Hence, IKBLL is required to propose the SOR for</td>
<td>
SOR was sent separately to TAMP on 02 July 2014. Copy of SOR is furnished.</td>
</tr>
</table>

	single present year only which will be force for subsequent two years. No scale of rates with terms and conditions is submitted along with the proposal	
(ix).	Detailed Capital Expenditure IKBLL has not provided the details of quantity and rates for capital employed for various business assets.	The details are furnished.
(B).	**Comments of KPT on Cost estimates submitted by IKBLL on dated 12 June 2014.**	
10.	Cost Statement	
(i)	**Form 1:** At page No. 2 Form 1 under point no.8 relating to the deviation from TAMP guidelines, it has mentioned that under Sl.No (2) that the Y, Y+1, Y+2 has been considered as beginning the year because the application is filed at the start of year, when capital expenditure has been incurred (on which ROCE is computed for tariff) while depreciation could be charged only after completion of the year. In this regard, the KPT has commented that ROCE is also charged after completion of the year**.**	KPT to clarify further on this question. However, tariff setting is done for the forthcoming year. Hence, the closing balance of last year will be used to calculate ROCE. Hence, in this case the initial capital expenditure is used to calculate ROCE. For eg: if in FY13 IKBLL invested 100 cr as capex and have no future plans to invest in FY14, the tariff will be set using the capital investment done in FY13 and depreciation will be charged during the year after the asset is put to use. Hence, for ROCE last financial year is relevant.
(ii)	**Form 2** (a). Note 1 and 2 has not been complied with as required in the format. (b). Capacity calculation has not been furnished as asked in note 3**.**	Details are provided in application submitted on 29th-April-2014 in section 4.3 as per concession agreement
(iii)	**Form 3A:** (a). Revenue Share cannot be considered as a part of the operating cost.	Agreed. We have also proposed an alternative tariff without considering revenue share with KPT, which is considered
(iv)	**Form 3B:** (a). Employee numbers sums up to 14 while excel format provide 13 nos. (b). Copy of the electricity bill may be provided. It should be explained how the consumption of the backup area has been estimated to arrive at ₹20 lakhs for the first year.	Changed in Form 3B. 4 nos. of High Mast Lighting system & 50 nos. of 35 Watt LED well Glass Fitting has been installed at back up area of Jetty. ₹20 lakhs has been estimated based on latest electricity bill received from KPT available at the time of preparation of application. Copy of Electricity bill is furnished.
(v)	**Form 4A:** (a). It seems depreciation on Information Technology has been erroneously mentioned as ₹69 lakhs in the last three columns.	Changed in Form 4A. Working capital requirements for IKBLL will be minimal. Hence, not considered while calculating ROCE. However, Impact of Working Capital in tariff is worked out and furnished, which shows that

	(b). It is not clearly explained why Net working capital shall be ignored. No estimation of working capital assets or liability has been submitted.	impact PMT in tariff worked out is negligible.
(vi).	**<u>Form 5B:</u>** Net Surplus/ (deficit) working is not correct. Actually instead of (x) – (xii), it should be (ix) – (xiii).	According to the Form B guidelines.
(C).	**<u>Comments of KPT on IKBLL draft SOR submitted on 9 July 2014.</u>**	
11.	**<u>Draft SOR:</u>**	
(i)	In Sr. no. 1.2(v), it is required to add "Further the royalty payable to KPT shall be calculated on ceiling rates as approved by TAMP as revised from time to time".	Added in SOR. Updated copy is furnished.
(ii)	Rates proposed are including the revenue share as admissible cost of operation. This is not in line with the TAMP guidelines 2005.	Agreed.
(iii)	Base year referred in General note should be as 2014 and not 2012 considered by IKBLL.	Added in SOR. Updated copy is furnished.
(iv)	Sr no. 1.2 (iv) and Sr. no. 2 of SOR, may be removed since proposal is for approval of cargo handling charges for other cargo handling as per Concession Agreement.	Removed from SOR. Updated copy is furnished. It clearly indicates that it is as per KPT SOR and are not fixed by IKBLL ; this clause is not amended in the SOR

2. A joint hearing on the case in reference was held on 16 April 2015 at the conference room at KPT. At the joint hearing, only the representatives from IFFCO/ IKBLL were present. The IKBLL has made the following submissions:

<u>IFFCO Kisan Bazar and Logistics Limited (IKBLL)</u>

(i). We are now deleting the 25% revenue share component added in the proposed tariff in our proposal.

(ii). TAMP in one of the meeting with IKBLL said revenue share can be included in the proposed tariff.

[TAMP- The statement made by IKBLL is not correct. TAMP vide its various letters to IKBLL has reiterated that revenue share is not admissible as cost as per tariff guidelines of 2005 under which tariff fixation of IKBLL is governed.]

(iii). We request TAMP to expedite finalizing the proposal to enable us to handle other cargo.

(iv). We request you to allow us to propose adhoc rate till the final rates are determined. If the adhoc rates are higher than the final rates approved by TAMP we will refund the differential.

3. A summary of the comments furnished by the KPT on the IKBLL revised proposal dated 22 April 2015 and the response of IKBLL thereon are tabulated below:

Comments of KPT	Comments of IKBLL
"Sr. No. 2 in the SOR proposed by IKBLL is as follows : ***Berth Hire and Other Vessel Charges*** *The berth hire and other vessel charges shall be payable by masters/ owners/ agents of the barge and other floating craft approaching or lying alongside the berth at the rates prescribed by SOR of port.* In this regard, it is stated that Sr.No 2 in SOR is not required and should be removed since the proposal is for Cargo Handling Charges for Other Cargo handling as per Concession Agreement. However, if mention of Wharfage, berth hire and other vessel related charges is required in the SOR for the understanding of the users of Other Cargo, a note can be included in the SOR which may state that since this Scale of rates are regarding Cargo Handling Charges only, levy of wharfage charges, berth hire and all other vessels related charges will be applicable as per Scale of rates of KPT as revised from time to time.	IKBLL has made the changes in the SOR as per the comments of KPT. The vessel related charge write-up has been added as a footnote based on the content in KPT's letter. With this comment of KPT stands complied and changes are incorporated in the SOR. The Foot note proposed by IKBLL is reproduced below : **"***Since the Scale of Rates is regarding cargo handling charges only, it is to clarify that KPT shall, as per Article 8 of the Concession Agreement signed with IKBLL, levy wharfage charges, the berth hire and all other vessel related charges as applicable as per Scale of Rates of KPT as revised from time to time*.**"**

4. A summary of the comments furnished by the KPT on the IKBLL further revised proposal dated 17 July 2015 and the response of IKBLL thereon are tabulated below:

Sr. No.	Comments furnished by KPT	Comments furnished by IKBLL
(i)	Provisional Tariffs for the project have already been approved by the TAMP vide G. No. 195 dated 28/5/2015. However, it appears from the proposal that M/s IKBLL had a negotiation with M/s Rishi Shipping in the month of June 15 for its discounted rate for equipment hiring charges, which is after provisional tariff once approved by the TAMP.	Provisional tariff for the project was approved by the TAMP vide G.No. 195 dated 28 May 2015. However, at that time, contract for equipment hiring was not awarded to L1 party. Since, tariff is to be collected from third party and TAMP approved Rate was not final, negotiation with L1 party was carried out in the month of June 2015 in the interest of third party users.
(ii)	No justification for such negotiation has been provided by M/s IKBLL. It also appears that due to the revised proposal by M/s IKBLL, there is a direct impact on the revenue earned by KPT in comparison to earlier notified provisional tariff by the TAMP dated 28/5/2015. As per article 8 of the concessional agreement, M/s IKBLL has to pay 25% of the cargo handling charges as approved by the TAMP for handling cargo, as Royalty to KPT.	

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