(Published in Part - III Section 4 of the Gazette of India, Extraordinary)

Tariff Authority for Major Ports

G.No. 10 **New Delhi,** **06 January 2017**

NOTIFICATION

This Authority, in exercise of the powers conferred by Sections 48 and 50 of the Major Port Trusts Act, 1963 (38 of 1963), had disposed off the proposal received from the South West Port Limited (SWPL) for general revision of its Scale of Rates in the Meeting of this Authority held on 17 November 2016. Considering the time involved for notifying (Speaking) Order along with the Scale of Rates, approved by this Authority, this Authority decided to notify only the Scale of Rates immediately. Accordingly, the Scale of Rates approved on 17 November 2016 was notified in the Gazette of India on 30 November 2016 vide Gazette No.433. It was stated in the said Notification that this Authority will notify the Speaking Order, in due course of time. Accordingly, this Authority hereby notifies the Speaking Order connected with disposal of the proposal of the SWPL for general revision of its Scale of Rates for Berth 5A and 6A in the Mormugao Port Trust as in the Order appended hereto.

(T.S. Balasubramanian)
Member (Finance)

Tariff Authority for Major Ports

Case No. TAMP/40/2016-SWPL

South West Port Limited **- - -** **Applicant**

QUORUM:

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

O R D E R

(Passed on this 17th day of November 2016)

This case relates to the proposal dated 6 July 2016 received from South West Port Limited (SWPL) for general revision of its Scale of Rates (SOR).

2.1. This Authority vide its Order no. TAMP/19/2013-SWPL dated 2 January 2015 had passed an Order approving the existing SOR of SWPL which was notified on 2 February 2015 vide Gazette No.51. The validity of the SOR was prescribed till 31 March 2016.

2.2. In the said Order, based on the net surplus reflected in cost statement estimated for the years 2013-14 to 2015-16, an across the board reduction in tariff of 14% was effected as against 12% increase in tariff of Cargo Handling charges and Dust suppression charges sought by the SWPL.

3.1. With reference to the said Order dated 2 January 2015, the SWPL filed the Review Application in March 2015 seeking review of the Order dated 2 January 2015 passed by this Authority.

3.2. This Authority passed an Order dated 15 January 2016 disposing of the Review Application of SWPL which was notified in the Gazette of India on 4 March 2016 vide Gazette No.82. In the said tariff Order, this Authority decided to prescribe the tariff for the remaining period of the current tariff cycle viz., January 2016 to March 2016 at the tariff level prevailing at the pre-revised tariff i.e., tariff approved in the pre-revised tariff Order No. TAMP/11/2011-SWPL dated 26 July 2011 for the reasons given in the said Order. The validity of the SOR was prescribed till 31 March 2016 as in the Original Order.

4.1. The SWPL vide its e-mail dated 8 June 2016 requested this Authority to grant time upto 30 June 2016 to file the proposal stating that finalization of Audited Accounts was about to close; and, it is in the process of finalizing the tariff revision proposal with the audited accounts of the company. The SWPL also requested to allow it to continue to levy the SOR approved by this Authority in the Order dated 15 January 2016.

4.2. In view of the above submissions made by SWPL, this Authority vide Order dated 21 June 2016 granted time till 30 June 2016 to SWPL to file its proposal for revision of SOR. The SWPL was advised to file its proposal within the extended time. Since the validity of the existing SOR of SWPL expired on 31 March 2016 and recognising that it will take time to process and finalise the case on receipt of the proposal from SWPL, this Authority extended the validity of the existing SOR of SWPL from the date of its expiry till 30 September 2016 or till the effective date of implementation of the revised Scale of Rates, whichever is earlier.

5. In this backdrop, the SWPL has vide its letter dated 6 July 2016 filed its proposal for general revision of its Scale of Rates following Tariff Guidelines, 2005. The salient features of the proposal filed by the SWPL for general revision of SOR are as follows:

(i). **Traffic:**

(a). Actual traffic handled by SWPL vis-à-vis traffic projected by SWPL which was considered by this Authority in last Order is tabulated below:

Years	Projected traffic	Actual Traffic handled
2013-14	6.00 MMT	8.52 MMT
2014-15	6.25 MMT	9.13 MMT
2015-16	6.50 MMT	11.03 MMT

(b). The traffic estimated for the current tariff cycle is 7.50 MMT per annum for each of the years 2016-17, 2017-18 and 2018-19.

(c). The SWPL has furnished the following reasons for the traffic projections of 7.5 MMT per annum in each of the years 2016-17 to 2018-19:

(i). When the Project was completed, its terminal i.e., Berth No. 5A and 6A were the only coal terminal and SWPL had no competition either in cargo quantity or rakes availability. Presently, the port has developed Berth No.7 as coal terminal which has started commercial operation and needs railways rakes for evacuation of coal from its terminal also.

(ii). The MOPT has awarded license for development of Berth 8, 9 and 9A which will also require rakes for evacuation of cargo. It is well known fact that the Mormugao Port Trust is environmentally very sensitive port because of its closeness to the Vasco Town. Movement of coal through road is not preferred. Hence, evacuation of cargo is primarily depending on rakes. After the development of Berth nos.8, 9 and 9A and operation of Berth 7 in full capacity, rakes availability will be a concern to utilize the capacity of the terminals.

(iii). In light of the above, total cargo volume for Terminal 5A and 6A is projected at only 7.5 MMT per annum from FY 2016-17.

(ii). **Income:**

(a). The operating income for the years 2016-17 to 2018-19 has been estimated based on the estimated traffic with reference to existing tariff as well as proposed tariff as given below: (Form 2B)

(₹. In Lakhs)

Year	Estimated income at existing tariff	Estimated income at proposed tariff
2016-17	15575.90	19495.10
2017-18	15586.20	19507.00
2018-19	15597.00	19519.60

(b). Exchange rate has been considered at 1US$ = ₹67 for income estimates for the future period.

(iii). **Expenditure Projections:**

(a). **Cargo Handling Contract**:
The Company has awarded stevedoring and cargo handling contract for back-up operations including any liasoning works to JSW Infrastructure Limited for a period upto March 2019. Annual price escalation for this contract is 5% per annum.

(b). **Repair and maintenance:**
Repairs and maintenance expenditure has been projected at 1.5% on mechanical assets and 0.5% for civil assets. As new equipment are being installed, lesser R&M expenses has been considered for the projected period.

(c). **Equipment Running Costs:**

(i). **Power:** The unit rate for 2015-16 has been based on the current tariff of the Goa State Electricity Board. The projections for next three years have been computed applying inflation factor of 3.76% for FY 2016-17 and thereafter.

(ii). **Fuel:** The unit rate for 2016-17 has been based on the current tariff announced by the Government of India. In line with this and past experience, 3.76% increase in FY 2016-17 in fuel prices has been assumed.

(d). **Depreciation:** has been computed on the basis of straight line method as per Schedule-II of the Companies Act, 2013.

(e). **Royalty:**
As per Clause 2.8.1 of the revised tariff guidelines of 2005, revenue share at 13.1% (being the second highest bid for the Tender) has been considered as admissible expenses for tariff computation.

(f). **Lease Rentals:** This has been projected on the basis of the provisions of the License Agreement (LA).

(g). **Insurance cost**: is considered at 0.33% of the gross value of assets.

(h). **Overheads:** The projections for 2016-17 to 2018-19 have been computed by applying annual inflation rate of 8.00% for staff cost and 3.76% for other expenses taking the actual expense figures for 2015-16 as the base. This is minimum increase in port sector.

(i). **Preliminary Expenditure:** As was done in last tariff revision, SWPL has considered one tenth of preliminary expenditure every year in this proposal also.

(iv). Capital Expenditure:

(a). The total additions to the gross block projected is as follows:

Year	**₹ in Crores**
2016-17	138.00
2017-18	47.30
2018-19	25.00

(b). The Company is in process to replace 2 Mobile Harbour Cranes with 2 Ship Unloaders. Total cost of these ship unloaders is approximately ₹130 crores. These ship unloaders are being installed on berth 6A. Total additions proposed in the year 2016-17 is ₹138 crores.

(c). The Mechanical Handling System (including conveying system) is more than 10 years old and needs a fresh investment to meet the requirement of efficient operation. It is proposed to invest ₹47.30 crore approximately in the year 2017-18.

(d). Also, the Company proposes to replace handling equipment in back-up area which will cost approximately ₹25 crores and will be procured in FY 2018-19.

(v). **Optimal Capacity**:

(a). The Optimal quay capacity is assessed at 10.73 MTPA as given below:

I (A) - Calculation of optimal Berth Capacity for Terminal 5A ;

Shipping fleet composition at SWPL:	%	DWT
S1: Cape-size (80,000 DWT and above)	0	175000
S2: Panamax (50,000 DWT to 80,000 DWT)	80%	70000
S3: Handymax (below 50,000)	20%	45000
P1: Ship-day output for Capesize vessels	45,000	Tpd

P2: Ship-day output for Panamax vessels 25,000 Tpd
P3: Ship-day output for Handymax vessels 15,000 Tpd
Capacity Utilization Level 70%

Optimum Berth Capacity (5A) = 3.83 MTPA
[70% * {(25000*80%) + (15000*20%)} * 365]

[There is an arithmetical error noticed in optimal berth capacity calculation. The optimal berth capacity is 5.88MTPA as against 3.83 MTPA arrived by the SWPL.]

<u>I (A) - Calculation of optimal Berth Capacity for Terminal 6A</u>:

Shipping fleet composition at Port of Mormugao DWT
S1: Cape-size (80,000 DWT and above) 0 175000
S2: Panamax (50,000 DWT to 80,000 DWT) 80% 70000
S3: Handymax (below 50,000) 20% 45000

P1: Ship-day output for Capesize vessels 45,000 Tpd
P2: Ship-day output for Panamax vessels 30,000 Tpd
P3: Ship-day output for Handymax vessels 15,000 Tpd
Capacity Utilization Level 70%

Optimum Berth Capacity (6A) = 6.90 MTPA
[70% * {(30,000 X 80%) + (15,000 X 20%)} * 365]

Total Berth Capacity – (5A & 6A): 6.90+3.83 = 10.73 MTPA

(b). Optimal stack yard capacity is assessed at 6.93 MTPA as given below:

<u>Estimation of Optimal Stackyard Capacity</u>

Capacity Utilization Level 70%
A: Area available for stack yard 33,000Sq m
U: Percentage of stack yard that can be used 80%
Q: Quantity that could be stacked per sq. m of area 15 T/ sqm
T: Turnover ratio of the plot in a year 25

Optimum Stack yard Capacity (B) = 6.93 MTPA
[70% * (33,000 sq.m. X 80% X 15 X 25%)]

(c). The optimal terminal capacity is the lower value of the Optimal Berth Capacity and Optimal Yard Capacity. Accordingly, Optimal Terminal Capacity is considered as 7.00 million tons per annum being lower of the two capacities.

(vi). Summary of Financial Projection:

A summary of the cost position based on the estimates for the years 2016-17 to 2018-19 at the existing tariff and proposed tariff as given in Form 3A is tabulated below:

(₹. in millions)

Sr. No.	Particular	At existing tariff			Total	At proposed tariff			Total
		2016-17	2017-18	2018-19		2016-17	2017-18	2018-19	
1.	Traffic in MMT	**7.50**	**7.50**	**7.50**	**22.50**	**7.50**	**7.50**	**7.50**	**22.50**
2.	Total Income.	1,616.83	1,719.10	1,829.22	5,165.15	1,625.61	1,758.19	1,868.30	5,252.10
3.	Total Expenditure	1,529.21	1,658.92	1,766.03	4,954.16	1,568.29	1,698.01	1,805.11	5,071.41
4.	Surplus Before Interest and Tax (2) - (3)	87.63	(-) 38.11	(-) 141.01	87.63	440.46	314.89	212.17	967.52
5.	Capital Employed	3,253.67	3,643.62	3,639.80		3,253.67	3,643.62	3,639.80	
6.	RoCE at 16%	488.05	546.54	545.97	1580.56	488.05	546.54	545.97	1580.56
7.	Net Surplus / (Deficit) (4) – (6)	(-) 400.42	(-) 584.65	(-) 686.98	(-) 1672.05	(-) 47.59	(-) 231.65	(-) 333.80	(-) 613.046
8.	50% Surplus of 2013-14 to 2015-16	200.80	200.80	200.80	602.40	200.80	200.80	200.80	602.40

9.	Net Surplus / (Deficit) as a % of operating income	(-) 191.62	(-) 375.86	(-) 478.19	1045.67	(-) 161.20	(-) 22.86	(-) 125.00	309.06

An increase of 30% in cargo handling tariff (except storage tariff) and 17% increase in berth hire rate is just adequate to meet the expenses and allowable ROCE and admissible royalty. SWPL will, however to pay royalty as per License Agreement which is much higher.

(vii). Proposed Scale of Rates:

(a). Berth Hire Charges: Considering the opex and deficit on revenue due to decrease in cargo volume and increase in unloading efficiency, it is proposed to increase the berth hire charges by 17% in comparison to existing tariff.

(b). Cargo related charges:

A.	**Cargo Handling Charges**	
Sl	**Particulars**	**% Hike proposed**
1.	**Berth 5A**	
	Metal Products, steel coils, slabs	30%
	Iron Ore Pellets, and any other bulk cargo	30%
2.	**Berth 6A**	
	Coal (all types), coke (all types), metallurgical coke and charcoal	30%
	Limestone	30%
	Metal products, steel coils and slabs	30%
	Iron Ore Pellets, and any other bulk cargo	30%
3.	**Wharfage**	30%
4.	**Storage charges**	No Hike proposed
5.	**Dust suppression charges**	30%

(viii). Productivity:

In order to improve performance, SWPL has planned to increase the discharge and loading rates of various commodities as indicated below:

Tonnes / Per day

Sl.	**Cargo**	**Existing**	**Proposed**
1	Coal	26,100	35,000
2	Coke	15,000	20,000
3	Limestone	19,100	25,000
4	Steel products	6,200	7,000

The faster discharge / loading of ships benefits the user but, reduces the income from berth hire accruing to SWPL.

6. In accordance with the consultation process prescribed, a copy of the SWPL proposal dated 6 July 2016 was circulated vide our letter dated 18 July 2016 to the MOPT and users/ user organisations seeking their comments. Users / user organisation have not furnished comments on the proposal of SWPL. The MOPT has furnished its comments subsequent to the joint hearing.

7. A joint hearing in this case was held on 22 August 2016 at the MOPT premises. At the joint hearing, the MOPT, SWPL and the concerned users/ user organizations have made their submissions.

8.1. As decided in the joint hearing, the SWPL vide our letter dated 26 August 2016 was requested to take action on the following points:

(i). Furnish a copy of the power point presentation of the proposal made by the SWPL at the Joint Hearing.

(ii). As agreed at the Joint Hearing, Mormugao Port Trust (MOPT) was requested to furnish its written comments on the proposal of SWPL in a week's time. The SWPL was requested to furnish its comments in three days thereafter.

8.2. With reference to the first point of action referred above, the SWPL has vide its email dated 7 October 2016 furnished a copy of the Power Point Presentation made by SWPL at the joint hearing.

8.3. With reference to the second point of action referred above, the MOPT has furnished its written comments on the subject proposal vide its email dated 27 August 2016. The comments received from the MOPT vide its email dated 27 August 2016 were forwarded to the SWPL as feedback information. The SWPL vide its email dated 2 September 2016 has furnished its comments on the comments of MOPT.

9.1. Based on the preliminary scrutiny of the proposal, the SWPL was requested to furnish additional information/clarifications on various points vide our letter dated 26 September 2016 with a request to furnish its response by 4 October 2016. The SWPL vide its email dated 03 October 2016 and 14 October 2016 has responded to our queries. A summary of the queries raised by us and the response of SWPL are tabulated below:

Sl. No.	Queries raised by us	Response from SWPL
A.	**GENERAL:**	
(i).	There is minor mismatch in the figure viz., Operating revenue, operating expenditure, Finance & Misc. Income (FMI), depreciation reported in Annual Accounts for the years 2013-14 to 2015-16 vis-à-vis the figure considered in the cost statement. Please reconcile the difference between the figures reported in the respective Annual Accounts and the cost statement.	SWPL has furnished reconciliation of figures in soft copy of the proposal.
(ii).	The figures considered in the cost statements for each of the years to be reconciled with the Audited Annual Accounts of the respective years, if not reconciled.	
(iii).	The SWPL is also requested to confirm that the figures furnished for the year 2015-16 is based on the audited accounts. The SWPL to also forward the copy of Independent Audit Report and Annexure to the Independent Auditors' Report for the year 2015-16.	
B.	**FINANCIAL/COST STATEMENTS:**	
	Analysis of actuals vis-à-vis estimates for the past period (Form-7): Clause 2.13. of the 2005 tariff guidelines mandates this Authority to review the actual physical and financial performance vis-à-vis the estimates relied upon in the previous tariff cycle. In this context, Form 7 of the format prescribed by this Authority for filing tariff proposal requires BOT operators to furnish requisite details. The SWPL has furnished the requisite Form 7. However, the figures considered in the Estimates column is not matching with the estimates considered in the last tariff Order dated 15 January 2016. The following points may also be taken into account while filing the said Form:	
(i).	The tariff Order of January 2015 effected reduction of 14% over the then existing tariff. The review Order of January 2016 restored the tariff prevailing prior to issue of January 2015 Order. The SWPL would have implemented the revised tariff from the effective date of implementation of January 2015 Order till the effective date of implementation of January 2016 Order i.e, 1 January 2016. Hence while	Revenue and expenditure for the period of April 2013 to March 2016 is taken from the audited accounts and hence all impact of tariff revision have been effected.

	compiling Form 7, the income estimates considered in January 2015 Order may be suitably adjusted to capture the effect of reduction approved by this Authority and implemented by the SWPL for the interim period.	
(ii).	As stated earlier, there is minor mismatch in the figure viz., Operating revenue, operating expenditure, Finance & Misc. Income (FMI), depreciation reported in Annual Accounts for the years 2013-14 to 2015-16 vis-à-vis the figure considered in the cost statement. Please reconcile the difference between the figures reported in the respective Annual Accounts and the cost statement and correct the figures in the Form-7.	Reconciliation with linked figures provided in soft copy of the proposal.
(iii).	The Guidelines provide flexibility to the BOT Operators to reduce the rates at their discretion on commercial consideration, if they so desire. Such reduction, if any, granted by SWPL may be quantified and listed out for each of the years 2013-14 to 2015-16 for our information.	The Company has not given any discount over tariff to any of its customers.
C.	**Capacity calculatio**n:	
	For the purpose of assessing the capacity, the SWPL has followed the approach prescribed in the 2008 guidelines. Though the upfront tariff guidelines of 2008 are not applicable to the existing terminals, the following points need to be addressed with reference to the estimation of capacity furnished by SWPL:	
(i).	The SWPL has stated that ship day output for unloading cargo (coal) prescribed in the guidelines is 45,000 tonnes/ day for capex vessel, 30,000 tonnes/ day for panamax vessels and 15,000 tonnes/ day for handy size/handy max vessels and accordingly assessed the Optimum berth capacity of Berth 5A at 3.83 MTPA and for Berth 6A at 6.90 MTPA. However, the output norms considered by SWPL do not match with the output norms prescribed at 50,000 tonnes/ day, 35,000 tonnes/ day and 15,000 tonnes/day for corresponding vessels categories in the 2008 guidelines for coal terminal. In this regard, the average discharge rate and the average loading rate for handling each of the cargo items by panamax / handymax vessel may be furnished for the last three years. The productivity level expected to be achieved during the next three years taking into consideration the replacement of 2 HMCs, 2 Ship unloaders, Mechanical handling System and handling equipment at backup area as proposed by the SWPL may also be indicated.	Considering the norms prescribed in 2008 guidelines, berth capacity is increased to 7.92 MMTPA. But as the yard capacity still remains at 6.93 MMTPA, hence the capacity of terminal 5A and 6A is approximately 7 MMTPA.
(ii).	Berth nos.5A and 6A operated by SWPL are for handling various cargo such as coal / coke, limestone, steel products, etc. The handling rate will vary depending on the type of cargo handled and share of different vessel size. Optimal quay capacity assessment may be modified to capture these vessel parameters and productivity of various cargo.	Capacity of the berth 5A and 6A is calculated based on cargo unloading rate of coal which is fastest among the cargo being handled at the terminal, hence capacity of the berth is taken at higher level. Any adjustment after considering limestone or other cargo will effectively reduce the capacity of the terminal.
(iii).	For estimation of Optimal Stackyard Capacity, the SWPL has considered stacking factor of 15 tonnes per sq. mtr. and turnover ratio of 25. The average actual stacking factor and turnover achieved in the last three years and other evacuation facilities may also be indicated. Optimal yard capacity may be re-assessed to capture the improved parameters achieved/	SWPL achieved higher throughput during previous years due to various factors like availability of rakes and absence of any major competition. These factors, particularly, absence of competition is no more there, as Berth 7 is sharing at least 2 rakes a day which may increase over the period and hence, stack yard efficiency will not remain as previous years. Therefore, calculation of yard capacity based

	achievable by SWPL in terms of stacking factor and turnover ratio. The SWPL may review and modify the optimal quay and yard capacities in the light of the above observation.	on last 3 years performance parameters would not be applicable.
D.	**Traffic Estimates**	
(i).	The SWPL has estimated the traffic at the uniform level of 7.5 million tonnes per annum for all the years 2016-17 to 2018-19. The SWPL has proposed an aggregate investment of ₹2103 million for replacement of existing equipment viz., 2 HMCs, 2 Ship unloaders, Mechanical handling System and handling equipment at backup area during the period 2016-17 to 2018-19. The SWPL is requested to clarify how the investment proposed will not have any impact on the traffic estimation of the years 2016-17 to 2018-19.	Replacement of MHCs with Ship unloaders and refurbishment of Mechanical handling system is primarily to meet growing requirement of unloading equipment with longer outreach. The Port Trust has proposed capital dredging to increase draft of navigational channel for cape size vessels. As this project was announced 2 years back and to meet with the requirement of cape vessel handling, the Company ordered ship unloaders to replace MHCs which have run most of their operational life. However, considering the recent update of the dredging project, cape vessels may not come in near future leading to these ship unloaders will not able to perform to their capacity.
(ii).	The reason for not considering any traffic growth may be explained with proper justification.	Traffic growth for terminal 5A and 6A was not considered for the following reasons: (i). Increased competition from Berth 7 operator which shares rakes available every day to the Port. During last 3 years, rakes shared by berth 7 was on an average less than 1 rake a day which is increased to 2 rakes a day. With less rakes available to SWPL, cargo throughput will be reduced. (ii). During financial year 2015-16, Goa Pollution Control Board has given notice to the Port that due to environmental factors, Port Trust should consider to reduce its cargo throughput by 25% every year on its terminal 6A and 7. In light of the above factors, estimated cargo throughput is limited to 7.5 million MT only.
(iii).		
(a).	The actual Lime stone cargo handled by the SWPL reported in Form 2A in the years 2014-15 and 2015-16 is 0.11 million tonnes and 0.46 million tonnes respectively. As against that, the SWPL has estimated the traffic at 0.10 million tonnes with a decrease in traffic 78% over the actual cargo handled in 2015-16 by the SWPL. The substantially low estimate in the traffic of lime stone please be justified.	For 2015-16, all figures of operation and financials have been taken at actuals. Decision on Cargo category and quantity is totally customers prerogative and SWPL estimates cargo quantity and category after discussion with the customers.
(b).	Similarly, the actual foreign steel cargo handled by the SWPL reported in Form 2A for the years 2013-14 to 2015-16 is 0.90 million tonnes, 0.93 million tonnes and 0.57 million tonnes respectively. As against that, the SWPL has estimated the traffic at 0.10 million tonnes with a decrease in traffic 82% over the actual cargo handled in 2015-16 by the SWPL. Justify the substantially low estimate in the traffic may please be justified.	At the time of preparation of estimates, steel market all over the world is subdued and China is, in fact, dumping steel products from their overcapacity steel plants to all over the world and hence lower throughput is estimated.
(c).	The ratio of percentage of steel cargo handled from Foreign going vessel and coastal vessels during the years 2013-14 to 2015-16 is 87:13. However, while estimating the steel cargo for the years 2016-17 to 2018-19, the SWPL has considered the ratio at 25:75. Furnish the reasons for estimating the coastal steel cargo at 75% against actual 13%.	For next three years as export market for steel products is expected to be remain subdued, hence export of steel products is estimated lower than the coastal transportation. **Steel Cargo Assumption**: JSW Steel is main customer to export steel cargo

		from terminal 5A. Its steel business depends on various government policies and international steel market scenario Previous year, Indian steel sector was facing challenges from Chinese steel market because of overcapacity steel industry of China started dumping steel products in India and other major steel consuming countries. Domestic as well as export market for steel industry was very subdued. To make a level playing field, Government of India stipulated Minimum Import Price (MIP) for various steel products which made domestic demand for local steel industry. Considering this scenario may continue due to subdued international economy, after discussion with our customers, we estimated that steel exports from our terminal will be very minimal and accordingly we estimated lesser volume of which coastal shipment will be more than export.
E.	**Income Estimation**	
(i).	The revenue from demurrage/storage charges etc. is reported as ₹30.23 million, ₹36.15 million and ₹32.18 million for the years 2013-14 to 2015-16 respectively. Whereas, the estimates for 2016-17 to 2018-19 is ₹10 million each of the year. The SWPL to explain the reasons for estimating reduction in the revenue from demurrage/storage charges etc. in the years 2016-17 to 2018-19 in comparison to the actual storage revenue reported.	Higher revenue from storage was accrued because of higher volume handled. Lesser volume in turn will have lesser congestion in evacuation line and hence lesser storage income considered.
(ii).	Revenue from operations shown under Schedule 16 of the Annual Accounts of the SWPL for the years 2013-14 to 2015-16 reports the gross revenue. From that, service tax recovered is excluded and the net revenue is reported in the Annual Accounts which is considered as the operating income in the cost statement for the years 2013-14 to 2015-16. In this regard, the following points need to be confirmed/ clarified/ explained:	
(a).	Please confirm whether the treatment given by the SWPL of capturing the service tax recovered under the gross revenue is in line with the accounting treatment required to be followed in this regard. It is understood from Major Port Trusts that service tax payable/ recoverable are maintained in separate account and do not form part of the revenue or expenses.	As per the Accounting Standard if revenue is represented including Service Tax/ Excise Tax then the same is deducted and net revenue presented before considering any profit. In line with this standard practice, net income considered for the proposal.
(b).	Please confirm and certify that the income for the years 2013-14 to 2015-16 as well as estimates of 2016-17 to 2018-19 reported in the cost statements excludes service tax component both on the income side as well as expense side.	Yes, we have excluded service tax from revenue as well as expense for proposal.
(iii).	The existing Scale of Rates does not prescribe any tariff for supply of water to vessels. Actual income for the years 2013-14 to 2015-16 also does not report any income from this service. The SWPL now proposes for separate tariff for supply of water to vessels. The SWPL is requested to explain the existing arrangement for this service. The SWPL to explain the reasons for prescribing new tariff and basis for arriving at the proposed rate of US$ 3.3069 per 1000 liters for foreign going vessels. Further, the SWPL has not considered any income estimates for the years 2016-17 to 2018-19. If no income was estimated by SWPL then, justify the relevance of prescribing tariff for this item in	Tariff from water supply can be excluded from the proposed SOR.

	the Scale of Rates.	
(iv).		
(a).	The rates set by this Authority are ceiling levels only. Indicate the discount, if any, allowed by SWPL over the ceiling rates during the year 2013-14 to 2015-16. The revenue impact of such discounts allowed may also be quantified.	No discount offered to any customer during previous years.
(b).	Confirm that the income estimated for the years 2016-17 to 2018-19 are at the rates prescribed in the existing Scale of Rates of SWPL. Confirm the income estimates do not capture tariff reduction/ concession, if any, to be granted by SWPL in the years 2016-17 to 2018-19 on account of flexibility available to Port Trusts/ BOT operators.	There is no discount or rate reduction assumed for the period 2016-17 to 2018-19.
(v).		
(a).	The total number of vessels handled at SWPL berths reported at 174, 187 and 179 during the years 2013-14 to 2015-16 respectively and the number of vessels estimated to be handled is 181, 183 and 186 for the years 2016-17 to 2018-19 respectively. However, the income from berth hire is estimated to reduce from 1028.06 million reported in the year 2015-16 to 552.99 million in the year 2016-17 (-85.91%), 554.02 million in the year 2017-18 (-85.56%) and 555.10 million in the year 2018-19 (85.20%) inspite of increase in the estimate of vessels to be handled in all the three years by 2 vessels, 4 vessels and 7 vessels. The estimates of the vessel relating income at reduced level to be justified.	During FY 2015-16 SWPL has handled 179 vessels comprising 128 foreign going vessels for coal, other foreign going vessel 40 and 11 coastal vessels. Whereas, it is estimated that during FY 2016-17 foreign going coal vessel would be 100, other foreign going vessel 12 and coastal vessel 67. Increase in number of vessel is only due to increase in coastal vessels which have lesser GRT and lesser tariff (60% of foreign going vessel). Further, for the proposed period, average discharge rate has been considered higher than the actual during previous years, which effectively reduces berth days and hence lesser berth higher income.
(b).	The MOPT while furnishing its comments on the proposal of SWPL for general revision of SOR has commented that the SWPL has shown the no. of vessels handled of 60000 GRT and above as NIL and not estimated any vessels under this slab even though it has handled 7 vessels each in 2015-16 and upto 19.08.2016 (2016-17). The specific reasons for non-disclosure of vessels handled in 2015-16 and upto 16.08.2016 (2016-17) under this slab may be clarified.	While considering estimate for annual financials, GRT of more than 60,000 is not considered due to delay in cape dredging project. Vessels handled in first few months which have higher GRT were trial shipment by the customer to assess operational and financial viability of large size vessels and these higher GRT vessels are not regular calling vessels. Also, tariff for such vessels were considered in line with regularly calling vessels. **Vessels handled of GRT 60,000** SWPL had handled a few vessels of GRT more than 60,000 in FY 2015-16 and some in first 2 months in FY 2016-17. These vessels were partially loaded as draft at Mormugao Port was not enough for direct berthing of fully loaded cape vessels. For vessels handled in 2015-16, revenues are taken as per rates notified by TAMP for Panamax vessels which are reflected in actual financials stated in proposal. These cape vessels were called on at SWPL keeping an assumption by the customer that Port Trust is increasing draft at Mormugao Port. Capital dredging project was planned by the Port Trust to increase draft to facilitate cape vessels' direct berthing at terminals 5A, 6A and other berths of the Port. It was assumed that bringing cargo in cape vessels will be more economical and operationally more efficient. Port Trust had awarded capital dredging work in FY 2015-16 and it was expected that during FY 2016-17 the project will be completed and fully loaded cape size vessels will be able to come directly alongside berth. In light of this, to test the equipment's efficiency and terminal's other facility a few partially loaded cape size vessels called on at Berth 6A. It is

		also to be noted that these vessels were partially unloaded at other ports which have enough draft to berth cape vessels, like Krishnapatnam Port. At that time, difference in freight charges between cape and Panamax vessels were enough to negate the additional logistics cost for the customers to bring partially loaded cape vessels from Krishnapatnam Port to Mormugao Port. Currently this difference is also not available to call partially loaded cape vessels. Later, capital dredging project was postponed due to objections raised by local people in National Green Tribunal (NGT). After hearing objections from public NGT imposed penalty on Port Trust for taking up this project. Considering the present scenario, it is very unlikely that the project will be completed within next 3 years. In light of the above, SWPL in its proposal for tariff, not assumed any vessel of GRT more than 60000.
F.	**Operating Cost**	
(i).	The SWPL at point no. 3.3 has stated that, it has escalated the power, fuel cost and other overheads by 3.76% p.a. The SWPL has also stated that the staff cost is escalated by 8% p.a. In this regard, SWPL may kindly note that the escalation factor adopted by this Authority in respect of tariff cases filed under Tariff Guidelines, 2005 to be disposed during the year 2016-17 is 2.46%.	As per the letter received from the TAMP, 2.46% escalation considered in place of 3.76%. [The SWPL has, however, in the revised cost statement furnished along with its reply not modified the annual escalation to 2.46% as stated by it]
(ii).	Operating and Direct Labour **(Cargo Handling Expenses):**	Operating and Direct Labour **(Cargo Handling Expenses):**
(a).	The SWPL has stated that it has awarded stevedoring and cargo handling contract for back-up operations including any liasoning works to JSW Infrastructure Limited for a period upto March 2016 and an annual escalation @ 5% p.a. was considered for this contract. In this regard, confirm whether the relevant service provider engaged for stevedoring and cargo handling contract for back-up operations including any liasoning works is after following a competitive bidding process and arm's length relationship is maintained for such transaction. Furnish a copy of valid contract for the period upto March 2016 and for the period covering the year upto 2018-19 to justify the estimates. Please furnish detailed computation of cargo handling expense indicating the unit rate adopted giving reference to the unit rate in the contracts and the traffic projected to justify the expense considered under this head for each of the years 2016-17 to 2018-19.	Cargo handling contract given to JSW Infrastructure Limited is for the period upto March 31, 2019 with an annual escalation of 5%. This contract is in line with transfer pricing guideline issued by the Income Tax Act, 1961 and Companies Act, 2013. JSWIL under the cargo handling contract has been engaged for all the cargo handling services after considering various offers and decided on arms length basis and is subject to transfer pricing audit as required under Income Tax laws. The Contract copy is enclosed for your reference.
(b).	The average operating and direct labour cost is estimated to increase by 1.30% for the year 2016-17 and 5% each of the years 2017-18 and 2018-19. Justify the escalation in cost estimated by SWPL in the light of applicable WPI for the year 2016-17 as brought out in point 6(i) above.	Increase in operational cost is due to long term contract entered into by SWPL. Contract is finalized based on historical WPI of previous 5 years. The contract for the same is enclosed for your reference.
(iii).	Equipment running cost:	
(a).	**Power Cost**:	
(i).	The average power cost per tonne is increased by 31.79% during the year 2015-16 over the actuals of 2014-15. The steep increase to be justified.	During FY 2015-16 In-Motion wagon loading system was fully operational which increased rakes turnaround time. This system is running on power hence the power cost increased from FY 2015-16.

(ii).	The unit cost of power estimated at ₹5.88 for the year 2016-17 may be substantiated with copies of latest bill of two months.	Electricity bill is attached.
(b).	**Fuel Cost**:	
(i).	The unit fuel cost per liter is estimated to increase by 10% for all the years 2016-17 to 2018-19 over the actuals/estimates of the respective years and 5% each of the years 2017-18 and 2018-19. Justify the escalation in cost estimated by SWPL in the light of applicable WPI for the year 2016-17 as brought out in point 6(i) above.	Fuel cost is linked with the crude price internationally. Crude price during the month of April 2016 was hovering around USD 40 per barrel and in month of June 2016, at the time of proposal submission, had crossed USD 50 per barrel. At present the price of 1-barrel crude is around USD 45. Due to the uncertainty of the crude price, which is at lower level of it medium term historic price, 5% escalation is assumed for fuel cost.
(ii).	The unit cost of fuel estimated at ₹49.50 / ltr. for the year 2016-17 may be substantiated with copies of latest fuel bills of two months.	Fuel Bill is attached.
(c).	**Repairs & Maintenance Cost**:	
(i).	The repairs and maintenance cost is stated to have been estimated at 1.5% on gross block of mechanical assets and 0.5% for civil assets. However, the actual repairs and maintenance cost shown at sl. No. A (c) in Form–3B at ₹70.65 million, ₹81.05 million and ₹102.54 million for the years 2013-14 to 2015-16 with an increase by 14.72% and 26.51% during the years 2014-15 and 2015-16. The SWPL further estimated to increase the R&M Cost by 10.54%, 3.29% and 19.43% for the years 2016-17 to 2018-19 respectively over the actuals/ estimates. Justify the escalation in cost estimated by SWPL in the light of applicable WPI for the year 2016-17 as brought out in point 6(i) above.	The Company installed in-motion wagon loading system and ship unloaders in place of MHCs. These equipment needs regular maintenance to keep them functional. As these equipments are new and recently installed, comparison of Repair and maintenance expense with previous years will not be prudent. As per the standard norm, civil structures need 1% R&M cost and Mechanical equipment needs 5% R&M cost. Instead of standard norm, tariff proposal assumed much lower R&M expenses as 1.5% for mechanical and 0.5% for civil structures.
(ii).	Confirm and show that one time major repairs and maintenance cost, if any, incurred during the past period are not considered while estimating this cost item for the years 2016-17 to 2018-19.	SWPL has not considered any major repairs during previous years.
	Lease rental:	
(iv).	Confirm that unit rate considered for estimating the lease rental is as per the rate approved by this Authority and in line with the provisions in the License Agreement. Also, give reference to the unit rate of lease rent adopted from the schedule of lease rent approved by this Authority for MOPT.	Lease rental considered for the proposal is in line with license agreement and the same is being charged by the Port Trust.
(v).	**Insurance premium**: Furnish a copy of the insurance cover taken by the SWPL for the years 2015-16 and 2016-17 to substantiate the estimates of insurance premium cost.	Insurance premium receipt is attached.
(vi).	**Other expenses**: The other expenses is estimated to increase by 3.76% p.a. for the year 2016-17 over the actuals of the respective previous year and estimated at the same level for the years 2017-18 and 2018-19. Justify the escalation in cost estimated by SWPL in the light of applicable WPI for the year 2016-17 as brought out in point 6(i) above.	Annual escalation on other expenses has been corrected to 2.46% as per the letter received.
(vii).	**Management and General Overhead**:	
(a).	The Management & Administrative Overhead shows an increase from ₹99.72 million in the year 2014-15 actuals to ₹132.44 million in the year 2015-16 i.e., 32.81% which is further escalated by 7.86% per annum for the	Management and administrative overhead consists primarily HR Expenses which was increased by 8 to 10% every year. The escalation in HR Expense is kept in line with industry benchmark to retain the employees.

	subsequent two years 2017-18 and 2018-19 over the estimates of the respective previous years. Justify the steep increase in Management & Administrative Overhead.	
(b).	The General Overheads shows an increase from ₹40.51 million in the year 2014-15 actuals to ₹52.46 million in the year 2015-16 i.e., 29.53% which is further escalated by 3.76% per annum for the subsequent three years 2016-17 to 2018-19 over the estimates of the respective previous years. Justify the steep increase in General Overheads under Management and General Overhead Expenditure.	General overheads increased due to CSR expenses which is applicable from last year. This expenditure is in line with Companies Act, 2013 and depends on Profit Before Tax of previous three years. During FY 2015-16 the Company has spent ₹12.90 million on CSR.
(viii).	**<u>Depreciation</u>**:	
(a).	As per clause 2.7.1. of the tariff guidelines, 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. Please confirm whether the computation of depreciation is as per this tariff guideline provision.	Depreciation is calculated based on Companies Act, 2013.
	The Companies Act, 2013 has been announced by the Ministry of Corporate Affairs. Please confirm whether the depreciation rate considered by SWPL is based on the provisions of Companies Act, 2013. Also, indicate the depreciation rate considered by the SWPL for each item of asset based on the useful life of assets prescribed in the Companies Act 2013 giving reference to the relevant provision in the said Act.	Depreciation rates: i) Civil structure – 5% ii) Mechanical equipment – 5% (as per the life of the asset provided in the Companies Act) iii) Furniture and fixture - 8% iv) Others – 20%
(ix).	**<u>Preliminary Expense Write off</u>:**	
(a).	In the cost statement, the SWPL has shown the annual written off @ ₹9.60 million towards preliminary expenses. It has, however, not made corresponding adjustment in the depreciation and gross block/ net block of assets. The SWPL is requested to make necessary adjustment in the gross block of assets, deprecation and net block of the assets with reference to the capitalized preliminary expense and amortization thereof. Also, reconcile the gross block, depreciation and net block as per the books of accounts for the years 2013-14 to 2015-16 with the corresponding figures in the cost statement. Return may be considered on the un-amortized preliminary expense for each of the years both for the past period (i.e. 2013-14 to 2015-16) and the future period (2016-17 to 2018-19.	The Company has charged preliminary expenses in the same years when it was incurred, hence it is taken as addition as capital employed and no adjustment required in the gross block/ net block.
G.	**Finance & Miscellaneous Income (FMI)**:	
(i)	The average FMI reported for the years 2013-14 to 2015-16 is around ₹100 million. However, the SWPL has estimated an FMI at ₹ 59.24 million in the year 2016-17 and further estimated to increase the same by 5%. Reasons for low estimation may please be furnished.	FMI is primarily based on interest income on Fixed Deposit and scrap sales. Due to lower throughput and lesser profitability, the Company is expected to earn lesser FMI in future. Fixed Deposit interest rates are also expected to be lowered by the Banks in near future.
(ii).	The SWPL has not estimated any income from scrap scale against the investments proposed for replacement of various assets in the years 2016-17 to 2018-19.	Scrap sale amount will be very nominal and while calculating other income the same has been considered.
H.	**Finance & Miscellaneous Expenses (FME)**: The FME considered in the cost statement by the SWPL is ₹ 2.30 million, 0.91 million and 0.91 million in the years 2013-14 to 2015-16 respectively. The FME is estimated to increase by 5% p.a. during the years 2016-17 to 2018-19	FME constitutes other expenses like Stamp duty paid on various contracts, compliance expenses relating to the contractor and suppliers etc. with

	respectively over the previous years actuals/estimates. Please furnish the nature of expenses considered under this head and basis for considering the 5% increase over the respective previous years actuals / estimates.	increase contractor and suppliers due to extra equipment, it is assumed that FME will increase by 5% every year. It should be noted that FME is already at lower base of ₹0.96 million.
I.	**Capital Employed**:	
(i).	**Net Fixed Assets:** The gross fixed assets, depreciation and net fixed asset for the years 2013-14 to 2015-16 furnished in Form 4A of the cost statement do not match with the gross assets value, depreciation and net asset value reported in Annual Accounts of the respective years. The SWPL is requested to reconcile the difference in the gross fixed asset, net fixed assets and depreciation considered in the cost statement vis-à-vis the figures reported in the Audited Annual Accounts for all the years from 2013-14 to 2015-16.	Reconciliation and linked file is enclosed.
(ii).		
(a).	The SWPL has proposed CAPEX of ₹1380 million, ₹473 million, ₹250 million in the years 2016-17, 2017-18 and 2018-19 respectively for replacement of 2 HMCs, 2 Ship unloaders, Mechanical handling System and handling equipment at backup area. Please confirm the proposed investment is as per the provision in the LA and draw reference to the relevant provisions of the LA.	SWPL has invested ₹1300 million and installed ship unloaders. The investment has been made as the replacement of old equipment which was falling short of required efficiency for larger vessels. Earlier Port Trust had proposed to increase draft of the channel upto 18 meters to facilitate direct berthing of cape vessels. Keeping this development in mind, the Company installed ship unloaders in place of MHCs. But, now after installation of the ship unloaders, the Company came to know that the dredging project has got delayed and it does not expect it to be completed any time soon.
(b).	The SWPL is also requested to furnish copies of the documentary evidence in form of invoice, work order awarded or any other relevant document to support the CAPEX proposed.	Ship Unloaders are already installed at the terminal 6A. Invoice copy of the supply of the Ship Unloaders is attached for your perusal. For further capex, supply orders are being prepared.
(iii).	In Form 4B, the SWPL has, in a general way, stated that the investments proposed to the gross block is towards replacement of existing assets which has passed its major useful life. The SWPL is requested to relook and quantify the effect of the investments proposed during the years 2016-17 to 2018-19 in terms of addition to the capacity, additional traffic/business, and reduction in unit operating cost or any improvement in the operational efficiency.	The Company has imported and installed ship unloaders because of need of operation as Port Trust has proposed capital dredging to increase draft of the navigational channel upto 18 meters to facilitate direct berthing of cape vessels. Customers have informed to the Company that if draft of the navigational channel is increased then they would like to bring cape vessels for their cargo which will require unloading equipment with much longer outreach. The Company did some trial operation with bigger vessels and found that with existing MHCs which have shorter outreach and have passed their major operational life will not fit for such vessels. In light of the above, it is decided to replace existing MHCs with such Ship Unloaders.
(iv).	It may be confirmed that the entire expenditure proposed in each of the years will be capitalised in the books of accounts and also that assets worth equal amount will be physically available for operation in the very same year. In this connection it may please be borne in mind that capital work in progress is not counted towards capital employed for the purpose of claiming return.	The Company has already installed ship unloaders which is operational now. It is hereby confirmed that the proposed investment in fixed asset is planned in the year it is proposed and the same will be capitalized in same year.
(v).	Confirm that depreciation, insurance and repairs and maintenance cost estimated, if any, on the additions to the gross block in the years 2016-17 to 2018-19 are estimated proportionately from the expected date of commissioning.	Depreciation, insurance and Repair and maintenance has been considered as per proposed capex and commissioning plan.

(vi).	The SWPL has a considered ₹150 million in the year 2016-17 towards disposal of Plant & Machinery against a proposed investment of ₹1380 million. The basis for arriving at ₹150 million to be made available. Further, the SWPL has not considered any disposal value against the investments proposed in the years 2017-18 and 2018-19.	The Company has considered ₹150 million as the disposal value of existing cranes based on discussion with various interest parties. For investment proposed in 2017-18 to 2018-19 replacement of assets will be negligible and hence no replacement value is considered. Any replacement value may be reflected in the actual financials and same can be adjusted in the next tariff revision for FY 2020 to FY 2021.
	Working Capital:	
(i).	Clause 2.9.9 of the tariff guidelines of 2005 stipulates norms for estimating sundry debtors at two months' Estate income & Railway Terminal charges for estimating the working capital. The estimation of Sundry debtors by the SWPL is not in line with the norms prescribed in the Tariff Guidelines 2005.	Estate income and Railway Terminal Charges are income which is received by the Port Trust and not by the Terminal. Therefore, for consideration of working capital 2 months gross revenue has been calculated for the tariff proposal.
(ii).	This Authority in the Order passed on 30 September 2008 clarifying / refining certain areas of tariff fixation under 2005 guidelines wherein outflow on certain items arising out of the contractual obligations of the LA is permitted to be taken as part of the Sundry Debtors. As per Article 7.3.4.2 of the LA, the SWPL is required to pay lease rent to the MOPT for the lands allotted to it in advance every year. Since the advance payment will get adjusted against the rent payable for the respective month and at the year end of the entire advance is adjusted, the average of the pre-payment at 50% may be considered as part of Working Capital for each of the year 2013-14 to 2015-16 as well as in estimates of 2016-17 to 2018-19 for computation of working capital in line with the approach followed in the last tariff revision Order of SWPL.	For the calculation of working capital 50% of lease rentals is being considered in the revised proposal in line with previous orders.
(iii).	Actual consumption of stores and spares reported in the Annual Accounts for the years 2013-14 to 2015-16 is ₹99.49 million, ₹105.46 million and ₹145.60 million respectively. As against that, SWPL has shown actual inventory consumption at ₹44.23 million, ₹62.37 million and ₹60.20 million respectively in Form 4A Sr. No.VIII (ii). The reasons for mismatch may be explained and difference need to be reconciled.	Stores and spares consumed during FY 2014-15 was ₹60.44 million and in FY 2015-16 was ₹72.64 million. The same is rectified in the proposal.
(iv).	The SWPL to arrive at the inventory (excluding fuel and customized spares) allowable as per the norms prescribed in clause 2.9.9 of the 2005 guidelines.	Proposed inventory for the year 2016-17 to 2018-19 is rectified as ₹37.21 million, ₹38.13 million and ₹39.07 million in line with the clause 2.9.9 of the 2005 Guideline.
(v).	The current liability shown in Form 4A for the years 2013-14 to 2015-16 at ₹197.79 million, ₹444.91 million and ₹303.80 million respectively. There is a minor mismatch in the figures with the current liability reported in the Annual Accounts. Please reconcile the difference. The basis for estimating the current liability for the years 2016-17 to 2018-19 may also be explained.	For the year 2015-16 current liability as per account is ₹304.30 million which is rectified in the proposal.
J.	**Allocation of expenses and capital employed between cargo and vessel related activity**: The SWPL is requested to furnish the following information/ clarification with reference to allocation done by SWPL for drawing the activity-wise cost statement under 5B(i) and 5C(i) for cargo handling activity and vessel related activity respectively:	
(i).	Please confirm whether the cost statement for main activities/sub activities are prepared in line	Cargo handling contract, which is outsourced

	with the general instruction given in the Form 5 of the cost format.	completely, is composite and takes care of all the cost from unloading of cargo from vessels to loading of cargo into the rakes. This cost is allocated to both vessels related operation and cargo related operations. Cost of outsourced contract is allocated in the proportion of cargo handling revenue and vessel related revenue in the total revenue. Therefore, we have proposed 36.36% allocation of this to VRC.
(ii).	The SWPL has allocated 10% of the cargo handling expenses to vessel related activity for each of the years 2013-14 to 2015-16 and proposed to allocate 36.36% each during the years 2016-17 to 2018-19. Explain the relevance of allocating cargo handling expense (outsourced activity) to vessel related activity. Clarify whether the said outsourced activity provides vessel related services also. If so, furnish the basis of allocation of the outsourced expense to vessel related activity. The SWPL is also requested to furnish the reasons for the change in percentage from 10% to 36.36%.	
(iii).	Similarly, the SWPL has allocated 10% of the Equipment running costs to vessel related activity for each of the years 2013-14 to 2015-16 and proposed to allocate 33.33% each during the years 2016-17 to 2018-19. Explain the relevance of allocating Equipment running costs to vessel related activity. Please furnish the basis of allocation of the Equipment running costs to vessel related activity. The SWPL is also requested to furnish the reasons for the change in percentage from 10% to 33.33%.	
(iv).	The SWPL has allocated 40% of the other expenditure viz., Insurance, Other Expenses, Management & General Overhead expenditure and preliminary expenses to vessel related activity for each of the years 2013-14 to 2015-16 and proposed to allocate at the same percentage during the years 2016-17 to 2018-19. Furnish the basis of allocation of these expenses to vessel related activity.	For expense related with Management and General Overhead and FMI, sharing of expenses is taken as total income generated by the activity. It is assumed that Management and General Overhead and FMI are expenses and income in common for all activities. Hence, it is divided as per the total income earned by vessel related income and cargo related income.
(v).	The SWPL has allocated 40% of the FME to vessel related activity for each of the years 2013-14 to 2015-16 and proposed to allocate 50% each during the years 2016-17 to 2018-19. Please furnish the basis of allocation of the FME. The SWPL is also requested to furnish the reasons for the change in percentage from 40% to 50%.	
(vi).	Similarly, the SWPL has allocated 40% of the FMI to vessel related activity for each of the years 2013-14 to 2015-16 and proposed to allocate 50% each during the years 2016-17 to 2018-19. Please furnish the basis of allocation of the FMI. The SWPL is also requested to furnish the reasons for the change in percentage from 40% to 50%.	
(vii).	The figures considered in the Form 3A towards Royalty/Revenue share payable for the years 2013-14 to 2015-16 do not match with the figures mentioned in Form 5B. This may be corrected.	Figures are reconciled in the revised proposal.
(viii).	Explain the basis of allocating the existing capital employed, additions proposed to the Gross Block for all the years 2013-14 to 2018-19 between cargo handling activity and vessel related activity.	[No reply furnished by SWPL]
(ix).	As per Form 7 furnished by the SWPL, there was past surplus from operations during the years 2013-14 to 2015-16. However, the SWPL has not proposed/shown adjustment in the consolidated cost statement. The SWPL is requested to assess the past period surpluses and consider the same in the consolidated cost statement as well in activity-wise cost statement.	Past surplus (from 2013-14 to 2015-16) is considered in Form 3A and adjusted 50% during the proposed period of 2016-17 to 2018-19.

(x).	The activity-wise cost statements need to be reviewed and modified in the light of our above observation to reflect the correct net surplus/ deficit position	
K.	**Scale of Rates:**	
(i).	The penal rate of interest in note 2 viii (b) is proposed at 14.25%. This needs to be updated at 2% above the prevailing Prime Lending Rate of State Bank of India (which is presently 14.05%) as per clause 2.18.2. of the tariff guidelines	Revised as suggested.
(ii).	This Authority has passed the following common adoption orders for all Major Port Trusts and BOT operators thereat. The Major Port Trusts and BOT Operators including SWPL were requested to include suitable notes in the SOR vide our letters brought out at Sl. No. (a) and (b) below :	
(a).	Order No.TAMP/53/2015-VOCPT dated 26 November 2015 relating to provision prescribed for System of classification of vessel for levy of Vessel Related Charges (VRC) and Criteria for levy of Vessel Related Charges and Concessional Coastal rate.	
(b).	Order No.TAMP/14/2016-Misc dated 9 February 2016 relating to prescription of lower charges for cargo & vessels related services as well as special discount in port charges for the services rendered after regular hours by the Major Port Trusts and BOT Operators operating thereat in pursuance of MOS letter No. PD/14033/101/2015-PD.V dated 3 February 2016	
	It is, however, seen that the SWPL has not included the provisions stipulated suitably in the proposed SOR. The SWPL is requested to incorporate the same in the SOR and to consider the impact, if any, in the revenue estimates.	For coastal transport, reduced tariff is proposed both in vessel and cargo related charges. For vessel related charges, SWPL Charges only berth hire income. Port charges are being charged by the Port Trust only.
(iii).		
(a).	The SWPL has proposed to include a new service under Part I - Vessel related Charges as - "**CHARGES FOR SUPPLY OF WATER TO VESSELS AND MISCELLANEOUS SERVICES**". The rate proposed is US $ 3.3069 per 1000 litres for foreign going vessel and ₹88.55 per 1000 litres for coastal vessels. The basis for the proposed rate to be furnished supported by calculation.	The same may be removed from the SOR.
(b).	The reason for prescribing this tariff in US$ terms may be explained.	

9.2. The SWPL has, vide its email dated 3 October 2016, also forwarded the cost statements along with the additional information/ clarifications sought by us. However, it is seen from the cost statements furnished that the SWPL has not made any changes to the cost statements in spite of stating that annual escalation on certain expenses has been corrected to 2.46% in estimating the operating expenditure while furnishing its remarks to our queries.

9.3. Based on the preliminary scrutiny of the proposal, the MOPT was also requested to furnish additional information/clarifications on various points vide our letter dated 26 September 2016 with a request to furnish its response by 4 October 2016. The MOPT vide its email dated 18 October 2016 has responded. A summary of the additional information/ clarifications sought by us and the information / clarification furnished by MOPT is juxtaposed below:

Sl. No.	Information/clarifications sought by us	Information/clarifications of the MOPT
1.	The actual traffic handled by the SWPL in the years 2013-14 to 2015-16 is reported to be 8.52	Actual Traffic handled by the SWPL in the year 2013-14, 2014-15 & 2015-16 as per our records is

	million, 9.13 million and 11.03 million respectively. The MOPT to confirm the actual traffic reported by the SWPL.	8.58 Millions, 9.15 millions & 10.89 Millions respectively.
2.	The SWPL has assessed optimal stack yard capacity of 6.93 MTPA considering the area available for stack yard of 33000 sq. mtrs. In this regard, the MOPT to indicate the total area allotted by the MOPT to SWPL as per the License Agreement terms. Also, furnish the actual area allotted for stacking purpose. The MOPT to comment on the reasonableness of the optimal stack yard capacity assessed by the SWPL.	The total lease area allotted to SWPL is 1,01,913 Sq. mtrs. The Port has not specified any area for stacking of cargo. [The MOPT has not commented on reasonableness of stackyard capacity assessed by SWPL]
3.		
(i).	Please confirm whether the lease rent of ₹43.03 million, ₹62.38 million and ₹56.42 million indicated in the cost statement by the SWPL for the years 2013-14 to 2015-16 is as per the provisions of the License Agreement (LA) entered with SWPL.	Actual lease rent/way leave billed to SWPL for the year 2013-14, 2014-15 and 2015-16 is ₹51.91 Millions, ₹68.54 Millions, and ₹58.48 Millions respectively.
(ii).	Also confirm whether the lease rent estimated by SWPL for the years 2016-17 to 2018-19 at ₹59.24 million, ₹62.20 million and ₹65.31 million respectively is as per the provisions of the License Agreement.	Actual lease rent/way leave billed to SWPL for the year 2016-17 and 2017-18 is ₹61.33 Millions and ₹64.32 Millions respectively.
4.		
(i).	The SWPL has estimated additions to the Gross block to the tune of ₹1380 million, ₹473 million, ₹250 million in the years 2016-17, 2017-18 and 2018-19 respectively for replacement of 2 HMCs, 2 Ship unloaders, Mechanical handling System and handling equipment at backup area. The MOPT is requested to comment on the reasonableness of the additions to the gross block estimated by the SWPL.	SWPL indicated investments are based on the budgetary quotations obtained for different equipments at the time of designing the system for upgrading its capacity. It may also be noted that SWPL has not prepared any Project Report in this regard nor shared any information with the Port. However, care may be taken to ensure that the additions to the gross block are under Cargo Handling Activity and not under Vessel Related Charges. [The MOPT has not commented on reasonableness of stack yard capacity assessed by SWPL]
(ii).	Please confirm the proposed investment is as per the provision in the LA giving reference to the relevant provisions of the LA.	Provision in Licence Agreement (Clause 3.5, 4.4 & 6.1) permits licencee to carry out modification/upgradation in the capacity from time to time.
(iii).	Please indicate the existing capacity of the two berths operated by the SWPL taking into consideration the investments made by operator and the equipment deployed for the operations. Also, indicate the optimal capacity of the terminal for the years 2013-14 and 2015-16 taking into consideration the additional investment proposed during the year this period	The existing capacity of the two berths operated by SWPL is 7.5 MTPA. The optimal capacity of the terminal for the years 2013-14 and 2015-16 taking into consideration the additional investment proposed during the said year is 14 MTPA.
5.	The SWPL has estimated the total number of vessels handled at SWPL berths reported at 174, 187 and 179 during the years 2013-14 to 2015-16 respectively and the number of vessels estimated to be handled is 181, 183 and 186 for the years 2016-17 to 2018-19 respectively. However, the income from berth hire is estimated to reduce from 1028.06 million reported in the year 2015-16 to 552.99 million in the year 2016-17 (-85.91%), 554.02 million in the year 2017-18 (-85.56%) and 555.10 million in the year 2018-19 (85.20%) inspite of increase in the estimated to be handle in all the three years by 2 vessels, 4 vessels and 7 vessels. In this regard, the MOPT is requested to comment on the reasonableness of the number of vessels and berth hire income estimated by the SWPL for the years 2016-17 to 2018-19.	The Berth Hire income should be directly proportional to the total no. of vessels handled. As the no. of vessels is increasing, the Berth Hire income of SWPL should also be increased proportionately considering the present average stay at berth.
6.	Please confirm the revenue share paid/ payable	The revenue share paid/payable by SWPL as per

	by SWPL as furnished in Form 3B in accordance with the terms of Licensing Agreement	Form-3B are ₹161.61 Million, ₹175.11 Million & ₹181.72 Million for the years 2013-14, 2014-15 & 2015-16 respectively and ₹131.60 Million each for the years 2016-17, 2017-18 & 2018-19. The revenue earned by MoPT are ₹216.62 Million, ₹262.04 Million (Including ₹25.88 Million of royalty on storage from 2004-05 to 2013-14) & ₹253.02 Million for the years 2013-14, 2014-15 & 2015-16 respectively and the budgeted revenue share is ₹291.93 Million for RE 2016-17 & ₹306.24 Million for BE 2017-18.

9.4. Subsequently, the MOPT vide its email dated 18 October 2016 has stated that there is a dispute between the MOPT and SWPL with respect to carrying out maintenance dredging beyond (-) 13.00 mtrs for the basin area and (-) 13.5 mtr alongside berth. The dispute was referred to the Arbitrator and the arbitral award was issued in favour of SWPL. The MOPT has also stated that it has appealed in the District Court of South Goa and Margao against the Arbitral award and the same is in progress.

10. Subsequently, SWPL has vide its letter dated 13 October 2016 forwarded the revised Cost statements and proposed draft revised Scale of Rates. In the revised proposed draft Scale of Rates, the SWPL has proposed an increase of 34% in cargo handling tariff (except storage tariff) as against 30% proposed in the original proposal and maintained the increase proposed in the berth hire charges i.e., 17% in the original proposal dated 6 July 2016. A summary of the cost position is not brought out as subsequently SWPL has furnished revised cost statement which is brought out in the subsequent paragraph. The SWPL has furnished the draft proposed Scale of Rates.

11.1. Thereafter, the SWPL has vide its emails dated 18 October 2016 and 19 October 2016 forwarded the revised cost statements. Further, the SWPL has furnished following additional information / clarification:

(i). **Foreign Exchange gain/ loss**:
The company imports capital equipment and their spares as well as technical tools. As per accounting practice, cost of these expenditures booked at the time of order and the difference between actual rate and booking rate accounted as per AS-11 which is reflected as revenue and capital expenditure as applicable. Amount stated in P&L account is towards revenue nature.

(ii). **Capital dredging**:
This expense is towards cost apportioned on maintenance dredging. This issue was under consideration with Arbitrator which was awarded in favour of SWPL and was subsequently challenged by the MOPT before Honourable High Court. As this cost is under litigation and Port Trust is not billing as of now, therefore this cost was not considered in tariff proposal.

But, if the decision of this case goes in favour of MOPT, then liability under maintenance dredging cost shall be retrospectively on SWPL based on the actual cost incurred and time line stipulated in the Order. As this cost is not considered mistakenly, we request your goodself to consider the maintenance dredging cost for tariff proposal (revised cost estimate is also provided) which is adjusted as applicable in next tariff revision.

(iii). **Other income/ excess provision written back**:
Other income includes adjustment as written back towards settlement of accounts with vendors which was no longer pending and settled during the year on going concern basis. As these transactions are exclusive and one time in nature, therefore not considered while making tariff proposal.

(iv). **Cargo handling expenses**:
Cargo handling contract has been revised on overall maintenance cost as well as increase in headcount for engineering, maintenance and technical services. This was critical as well as controlling the breakdown time and marinating efficiency.

Increased cost was audited based on amended agreement and same is reflected in cost statement as ₹90/MT, ₹99/MT for FY 2013-14, FY 2014-15 and FY 2015-16 respectively for coal cargo. Similarly, ₹125/MT, ₹131/MT and ₹138/MT for FY 2013-14, FY 2014-15 and FY 2015-16 respectively for steel cargo. Cost for cargo handling for FY 2016-17 to FY 2018-19 is taken on these rates considering actual rate of FY 2015-16 from audited accounts with 5% annual escalation as per agreement. Copy of the revised contract is enclosed also enclosed for your ready reference.

11.2. The SWPL has also furnished the following further submissions to take into account the developments taken place after submission of tariff proposal as follows:

(i). Capital dredging project of the Port Trust is opposed by local people who approached to National Green Tribunal (NGT). NGT has stopped this project and imposed penalty on the Port Trust. Considering this development, this project is very unlikely to be completed within 3 years.

(ii). New project of Berth 8, 9 and 9A is also awarded and as this can be developed and can be operational in part. If these terminal starts operation early then it will also share rail infrastructure and rakes availability. Hence, rakes availability for SWPL Terminal will be limited.

(iii). Berth 7 which is also attracting cargo and becoming real competitor for rakes. As there is limitation for rakes availability for Mormugao Port Trust, after sharing with Berth 7 and Berth 8, 9 and 9A, rakes for SWPL Terminal will be very limited. Cargo throughout at SWPL terminals is directly linked to the rakes availability as transportation through trucks is not viable for environmental issues and space constraints.

In light of the above, we also foreseeing drastic reduction in cargo throughput at SWPL Terminal which may be much lesser than estimated in tariff proposal.

11.3. The SWPL has requested that adjustment of past surplus (during FY 2013-14 to FY 2015-16) should be considered in next tariff cycle (FY 2019-20 to FY 2021-22) as SWPL may not able to handle estimated throughout which make all financial estimates unviable.

11.4. A summary of the cost position based on the estimates for the years 2016-17 to 2018-19 at the existing tariff and proposed tariff as given in Form 3A in the revised cost statement furnished vide its email dated 18 October 2016 and 19 October 2016 is tabulated below. The main modification made by the South West Port Limited (SWPL) is that it has included estimated maintenance dredging expenditure in the years 2016-17 to 2018-19.

(₹. in millions)

Sr. No.	Particular	At existing tariff			Total	At proposed tariff			Total
		2016-17	2017-18	2018-19		2016-17	2017-18	2018-19	
1.	Traffic in MMT	**7.50**	**7.50**	**7.50**	**22.50**	**7.50**	**7.50**	**7.50**	**22.50**
2.	Total Income.	1,557.59	1,558.62	1,559.70	4,675.91	1,989.29	1,990.49	1,991.75	5,971.53
3.	Total Expenditure	1,517.93	1,267.63	1,729.41	4,874.97	1,562.23	1,671.92	1,773.70	5,007.85
4.	Surplus Before Interest and Tax (2) - (3)	39.66	(69.01)	(169.71)	-199.06	427.06	318.57	218.05	963.68
5.	Capital Employed	3,259.50	3,650.42	3,648.92	3519.61	3,259.50	3,650.42	3,648.92	3519.61
6.	RoCE at 16%	521.52	584.07	583.83	563.14	521.52	584.07	583.83	563.14
7.	Net Surplus / (Deficit) (4) – (6)	(481.86)	(653.07)	(753.53)	-1888.46	(94.46)	(265.50)	(365.78)	-725.74
8.	50% Surplus of 2013-14 to 2015-16.	198.68	198.67	198.67	596.02	198.68	198.67	198.67	596.02
9.	Net Surplus / (Deficit) as a % of operating income	(283.19)	(454.40)	(554.86)	-1292.45	104.21	(66.83)	(167.11)	-129.73

12. 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

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

(i). The existing Scale of Rates (SOR) of the South West Port Limited (SWPL) approved by this Authority vide its Order dated 2 January 2015 and as reviewed vide Order dated 15 January 2016 had the validity till 31 March 2016. The validity of the existing SOR of the SWPL has been extended till 30 September 2016 at the request of the SWPL.

In the said Order dated 2 January 2015, based on the net surplus reflected in cost statement estimated for the years 2013-14 to 2015-16, an across the board reduction in tariff of 14% was effected as against 12% increase in tariff of Cargo Handling charges and Dust suppression charges sought by the SWPL.

Subsequently, in view of the review application filed by the SWPL vide its email dated 4 March 2015 for review of the Order dated 2 January 2015 and the implementation of the opinion of Attorney General for India regarding interpretation of a few clauses of tariff Guidelines of 2005 conveyed by Ministry of Shipping vide its letter dated 12 June 2015, this Authority has passed an another Order dated 15 January 2016 disposing of the review application filed by the SWPL which was notified in the Gazette of India on 4 March 2016 vide Gazette No.82. In the said Order, this Authority decided to prescribe the tariff for the remaining period of the last tariff cycle viz., January 2016 to March 2016 at the tariff level prevailing at the pre-revised tariff i.e., tariff approved in the pre-revised tariff Order No.TAMP/11/2011-SWPL dated 26 July 2011. The validity of the SOR is prescribed till 31 March 2016 as in the Original Order.

(ii). Clause 2.13 of the tariff guidelines of 2005 mandates this Authority review of the actual physical and financial performance of the port operator at the end of the prescribed tariff validity period with reference to the projections relied upon at time of fixing the prevailing tariff. In the last revision of the Scale of Rates of SWPL done in January 2015 and the review Order of January 2016, the tariff of SWPL was fixed by relying upon the estimates for the years 2013-14 to 2015-16. Thus, the estimates vis-à-vis actuals for the years 2013-14 to 2015-16 are to be analyzed to assess the actual performance of SWPL during the said tariff period. The actual performance of the SWPL during the said period as compared to the estimates is discussed below:

(iii). The general approach followed to analyse the estimated position in the last tariff Order is adopted to assess the actual net surplus / deficit for the years 2013-14 to 2015-16. The analysis is as given below:

(a). The actual traffic handled by SWPL during the period from 2013-14 to 2015-16 is 8.52 Million Metric Tonnes Per Annum (MMTPA), 9.13 MMTPA and 11.03 MMTPA respectively aggregating to 28.68 MMTPA as against the estimated traffic of 8.53 MMTPA, 7.02 MMTPA and 7.52 MMTPA respectively aggregating to 23.07 MMTPA estimated in the tariff Orders of January 2015 and January 2016 for the corresponding period.
The Actual Traffic reported by MOPT to have been handled by the SWPL in the years 2013-14, 2014-15 & 2015-16 at 8.58 MMTPA, 9.15 MMTPA & 10.89 MMTPA respectively slightly varies from the actual traffic reported by the SWPL aggregating to 28.62 MMTPA as against aggregate traffic of 28.68 MMTPA as per the figures reported by the SWPL for the corresponding period . For the purpose of this analysis, the actual traffic reported by the SWPL is considered.

The variation in the physical performance is 24.32% positive which is found to be more than +/-20%.

(b). The income estimates considered in the last tariff Order for the period from 12 March 2015 to 31 March 2015 and 1 April 2015 to 31 December 2015 are adjusted (reduced) on pro rata basis to capture the effect of tariff reduction of 14% effected in the January 2015 Order for a like to like comparison with the actual income from the date of implementation of the Order. The income estimates considered in the last tariff Order for the period from 1 January 2016 to 31 March 2016 are maintained because in the review Order passed by this Authority, the tariff reduction effected in the January 2015 Order was withdrawn from 1 January 2016.

(c). The opinion of Attorney General for India conveyed by Ministry of Shipping vide its letter dated 12 June 2015 is that the actual income earned by the operator based on their Audited Accounts should be considered and not any notional income. The SWPL has reported that no trade/ commercial discounts were granted during the years 2013-14 to 2015-16. MOPT has also not reported any discount. Hence, for the purpose of analysis of the past period, the actual income as reported in the Annual Accounts is considered.

(d). Revenue share is considered as a cost item to the extent of the revenue share quoted by the second highest bidder i.e., 13.10% on the actual cargo handling revenue reported during the years 2013-14 to 2015-16 in line with the approach adopted in the last tariff Order which is in line with the clause 2.8.1 of the tariff guidelines of 2005.

(e). The SWPL has, in the cost statement, reported the cargo handling expenses at ₹6249.10 lakhs, ₹8664.22 lakhs and ₹10884.37 lakhs during the years 2013-14 to 2015-16 respectively. In this regard, the SWPL has stated that it has entered into an agreement with JSW Infrastructure Limited (JSWIL) for cargo handling activity for period of 5 years from 2014-15 to 2018-19 with an annual escalation of 5% effective from 1 April of each year. This contract is in line with transfer pricing guideline issued by the Income Tax Act, 1961 and Companies Act, 2013, as confirmed by the SWPL. The SWPL has stated that JSWIL under the cargo handling contract has been engaged for all the cargo handling services after considering various offers and decided on arms length basis and is subject to transfer pricing audit as required under Income Tax laws. The figures considered by the SWPL as reported in the audited annual accounts is relied upon and considered in the analysis.

(f). In the last tariff revision exercise it was brought out as regards maintenance dredging, that there is some dispute between the SWPL and the MOPT on the quantum of dredging to be undertaken by the MOPT. The MOPT during the last general revision had stated that the arbitrator has given the award but the MOPT has challenged the award of the arbitrator before the District Court and the matter is pending for disposal. In the last tariff Order, since the Audited Annual Accounts of the SWPL for the year 2013-14 did not report any expense towards maintenance dredging cost, it was considered as nil for the year 2013-14. The maintenance dredging cost estimated by the MOPT at ₹248 lakhs and ₹261 lakhs aggregating to ₹509 lakhs for the years 2014-15 and 2015-16 was allowed in the last tariff Order. In the said Order at para 12 (xv), this Authority has held that if at the time of the next tariff review, it is found that the actual maintenance dredging cost reimbursed to the MOPT is less than the estimates considered in this analysis or the decision by the Court in the matter pending before the Court is different from the assumption made in this analysis, then the entire difference will be set off fully.

On seeing the actuals, it is seen that Audited Annual Accounts of the SWPL for the years 2013-14 to 2015-16 do not report any actual maintenance dredging cost for the above years. Flowing from the decision of this Authority in the last tariff Order at para 12 (xv), the additional surplus of ₹509 lakhs accruing on account maintenance dredging cost allowed in last tariff fixation needs to be set off fully in the current tariff cycle of 2016-17 to 2018-19. The adjustment of surplus with reference to the estimates of maintenance dredging expenses is being dealt in subsequent paragraphs.

(g). In the last tariff Order, the capitalised part of the preliminary expense was amortised over 26 years. This position is maintained for assessment of actual performance as well.

(h). The depreciation considered by the SWPL for the years 2013-14 to 2015-16 is as reported in the Audited Annual Accounts. Further, depreciation on the capitalized part of preliminary expense i.e. ₹8.35 lakhs per annum is excluded for all the years 2013-14 to 2015-16 which is in line with the approach followed in the last tariff Order.

(i). The SWPL has, in the cost statement, considered the FMI at ₹865.60 lakhs, ₹1306.60 lakhs and ₹1404.30 lakhs during the years 2013-14 to 2015-16 as against the actual reported FMI in the audited annual accounts of ₹865.80 lakhs, ₹1807.70 lakhs and ₹1477.5 lakhs respectively.

On perusing the reconciliation statement furnished by the SWPL, it is seen that the SWPL has considered all income receipts as reported in the audited annual accounts except the income reported at ₹0.20 lakhs, ₹501.10 lakhs and ₹72.20 lakhs towards reversal of excess provisions for all the years 2013-14 to 2015-16 and profit on sale of fixed assets of ₹1 lakh in the year 2015-16.

The SWPL has considered interest income on deposits. The Interest income from deposits and investment are not to be considered in the cost statement and hence excluded maintaining the position followed in the last tariff Order.

The SWPL has not considered the other income reported towards reversal of excess provisions for all the years 2013-14 to 2015-16.

It is understood from the SWPL that the other income accrued on account of reversal of excess liabilities against which the expenditure was already considered in the previous years. That being so, it is found appropriate to capture this item in the cost statement for the past period analysis. However, this is not considered for future estimates as it is one time in nature.

The profit on sale of fixed assets of ₹1.00 lakh reported in the audited annual accounts of 2015-16 is also considered in the cost statement.

(j). As per the LA, Security Deposit of ₹1.53 crores paid by the SWPL to the MOPT is refundable at the end of the project period. During the last tariff revision, the Security Deposit refund was annualized over the remaining period of the project life by discounting at 11%. The SWPL has not considered the effect of this item. In the last tariff fixation exercise, the terminal value receivable at the end of the project was annualized over the project life by applying discounting rate of 11%. The same approach is followed in the existing tariff revision exercise

Subject to above modification, the FMI considered in the cost statement is ₹452.43 lakhs, ₹903.86 lakhs and ₹388.68 lakhs for the years 2013-14 to 2015-16 respectively as against ₹865.60 lakhs, ₹1306.60 lakhs and ₹1404.30 lakhs considered by the SWPL for the corresponding period.

(k). All the other cost items are considered as reported in the Annual Accounts.

(l). The Net Fixed Assets reported in the Annual Accounts is suitably adjusted considering the unamortised part of preliminary expense as part of net fixed assets for the purpose of allowing return.

(m). The working capital is analysed below:

(i). The SWPL has considered 2 months of operating income as Sundry Debtors for the years 2013-14 to 2015-16 as against two months' estate income & Railway terminal chargers payable by Indian Railways. This is not in line with the provisions contained in the tariff guidelines of 2005. Sundry Debtors is considered as NIL following the norms prescribed in the clause 2.9.9. of the Tariff Guidelines 2005.

(ii). The SWPL has furnished the Stores and spares consumed and captured it in line with the norms prescribed in the Tariff Guidelines of 2005. The figures considered by the SWPL is relied upon and considered in the working capital calculation.

(iii). As per the tariff guidelines of 2005, cash balance is to be allowed at one month's cash expenses. The Cash balance considered by SPWL is not in line with the prescribed norms. Therefore, the cash balance considered by SWPL is modified in line with the guideline position.

(iv). This Authority had passed an Order dated 30 September 2008 clarifying the existing approach/ practice followed in tariff setting exercise of Major Port Trusts/ Private Terminals. The said Order, *inter alia*, permits the outflow on certain items arising from contractual obligations of License Agreement (LA) to be taken as part of sundry debtors.

In the case of the SWPL, as per Article 7.3.4.3. of the License Agreement (LA) entered between SWPL and MOPT, the revenue share is payable on monthly basis on 5th day of the immediately subsequent month. It is thus clear that as per LA also, the SWPL is not required to make any advance payment of revenue share.

The SWPL is, however, required to pay the lease rent for the lands allotted to it in advance every year as stipulated in Article 7.3.5.2 of the LA. Since the said advance payment is governed by LA provisions there is a case to consider such pre-payment as part of working capital for the purpose of allowing return. Recognising that the advance payment will get adjusted against the rent payable for the respective month and at the year end the entire advance is adjusted, average of the pre-payment at 50% of the estimated lease rentals in each of the years is considered as part of working capital in line with the approach followed in the last tariff Order.

Further, as per article 10.12 of the License agreement, the SWPL is obliged to keep security deposit of ₹1.52 crores free of interest throughout the period of license with the port which is refundable at the end of the project. Flowing from the decision in the Order of September 2008 to consider certain items arising from contractual obligations of LA and in line with the approach followed in the last tariff Order, the security deposit is considered as part of current assets while computing the working capital.

(v). The SWPL has considered the current liabilities as reported in the audited annual accounts of the respective years which includes short term provisions. The figures considered by the SWPL excluding the short term provisions is considered in the computation of working capital.

(vi). Subject to the above adjustments, Working Capital works out to be negative. Hence, it is considered as NIL. Thus, the Capital Employed comprises of only Net Block of Assets at ₹14,116.85 lakhs, ₹21,340.10 lakhs and ₹20,213.95 lakhs for the years 2013-14 to 2015-16 respectively.

(n). (i). In the last tariff Orders of January 2015 and January 2016, Return on capital employed was allowed at 16% for the years 2013-14 to 2015-16. The same position is maintained while analyzing the actuals for the said years.

(ii). (a). A copy of the cost statement reviewing actuals of 2013-14 to 2015-16 vis-à-vis estimates of the corresponding period is attached as **Annex – I**.

(b). A summary of the comparison of the actuals vis- à-vis the estimates considered in the last tariff Order is tabulated below:

(₹ in lakhs)

Particulars	Aggregate for the years 2013-14 to 2015-16 in absolute terms (₹ in lakhs)		Variation in %
	Estimates as per tariff Order	Actuals	
Traffic (in MMTPA)	23.07	28.68	24.32%
Total Operating Income	50,059.65 *	66,144.47	24.59%
Total Operating Expenditure including FME less FMI	41,122.30	46,081.58	12.06%
Surplus/ deficit before Return	8,937.35	20,062.89	
Capital Employed (Average)	20,403.38	18,556.97	-9.05%
16% Return on Capital Employed	9,793.62	8,907.35	-9.05%
Net Surplus after ROCE (before adjustment of past surplus)	(856.27)	11,155.54	
Adjustment of Past period surplus assessed in August 2016 Order	847.28	-	
Net Surplus after ROCE (after adjustment of past surplus)	(8.94)	11,155.54	

* *The operating income estimates are updated to reflect the effect of tariff reduction effected in tariff Order of January 2015 from 12 March 2015 to 31 December 2016.*

(o). The findings of the analysis with reference to the past period relating to the period from 2013-14 to 2015-16 are given below:

(i). The actual aggregate traffic handled by the SWPL is 28.68 MMTPA as against the estimated traffic of 23.07 MMTPA during the period from 2013-14 to 2015-16. The variation in the physical parameters i.e. actual traffic handled is 24.32% positive in comparison to the estimates.

(ii). The operating income earned by the SWPL is ₹66,124.47 lakhs as against estimation of ₹50,060 lakhs for the corresponding period resulting in negative variance of 24.59%.

(iii). On the expenditure side, the actual aggregate expenditure for the years is ₹46,081.58 lakhs as against the estimated expenditure of ₹41,122.30 lakhs in the last Order for the corresponding period. The total actual expenditure thus shows positive variance of 12.06% in comparison to the expenditure estimated in the last tariff Order.

(iv). The average capital employed for the period from 2013-14 to 2015-16 is ₹18,556.97 lakhs as against average estimated capital employed of ₹20,403.38 lakhs. The variation in the average capital employed comes to 9.05% negative.

(v). As per the cost statement prepared by us, the SWPL has earned aggregate surplus of ₹20,062.89 lakhs before return on capital employed for the period from 2013-14 to 2015-16. The average surplus comes to ₹6687.63 lakhs. The average annual return earned on the average capital employed thus works out to 36.03%, as shown in the following table:

(₹ in Lakhs)

Particulars	2013-14	2014-15	2015-16	AVG.
Actual Surplus/ deficit before return	7,444.70	7,207.00	5,411.19	20,062.89 (Total) 6,687.63 (Avg.)
Actual Capital Employed	14,116.85	21,340.10	20,213.95	18,556.97 (Avg.)
Actual Return earned on capital employed	52.70%	33.77%	26.77%	36.03%

(vi). As per clause 2.13 of the tariff guidelines, if review of actual physical and financial performance for the previous tariff cycle shows the variation of more than + or – 20%, then 50% of such accrued benefit / loss has to be adjusted in the next tariff cycle. As per the opinion of AG also as conveyed by the MOS, variation in both physical and financial parameters should be taken into account for the purpose of clause 2.13.

It can be seen from the above analysis that the variation in the physical parameter i.e., actual traffic handled and financial performance in terms of return on capital employed is positive and the same is more than 20%. Further, as per the above table, the SWPL has earned average return of 36% on the capital employed as against 16% return allowed in the last tariff Order. Thus, the variation in both physical and financial parameters exceeds 20% variation and variation is positive. Hence, there is a case for adjustment of past period surplus of SWPL operations while arriving at the tariff for the current tariff cycle following the opinion on the interpretation of clause 2.13 of the Tariff Guidelines of 2005 of the AG. .

Further, as per the opinion of the AG, if the variation in both the physical and financial parameters is more than 20%, then 20% of the surplus is to be allowed to be retained by the operator. It is only the surplus over and above the 20% that shall be shared equally i.e. 50:50 between the operator and the users. In nutshell, 60% of additional surplus is allowed to be retained with the operator and 40% additional is to be shared with users by considering adjustment in future tariff.

(iv). Now adjustment of the additional surplus assessed for past period 2013-14 to 2015-16 is discussed. As stated earlier, flowing from the decision of this Authority in the last tariff Order at para 12 (xv), the additional surplus of ₹509.34 lakhs accruing on account maintenance dredging cost allowed in last tariff fixation is to be set off fully in the current tariff cycle of 2016-17 to 2018-19. It is relevant here to note that since the additional surplus of ₹509.34 lakhs accruing on account maintenance dredging cost is set off fully in the current tariff cycle of 2016-17 to 2018-19, the balance actual additional surplus after excluding ₹509.34 lakhs is to be considered for setting it off to the extent of 40%, as per provisions of the tariff guidelines of 2005 read with the opinion of the AG conveyed by the MOS. Accordingly, 40% of Net additional surplus for the years 2013-14 to 2015-16 (excluding expenditure on Maintenance Dredging) of ₹4,258.48 lakhs (i.e. ₹11,155.54 lakhs – ₹509.34 lakhs = ₹10,646.20 lakhs * 40% = ₹4,258.48 lakhs) considered for adjustment in the current tariff cycle by spreading it over three years beginning from 2016-17.

The SWPL has requested for adjustment of past surplus for the years 2013-14 to 2015-16) in the next tariff cycle i.e., 2019-20 to 2021-22 stating that the SWPL may not able to handle estimated throughout which make all financial estimates unviable. Clause 2.13. of the 2005 tariff guidelines mandates this Authority to review the actual physical and financial performance vis-à-vis the estimates relied upon in the previous tariff cycle and if the variation of more than + or – 20%, then 50% of such accrued benefit / loss has to be adjusted in the next tariff cycle. The request of SWPL to consider the adjustment of additional past surplus for the years 2013-14 to 2015-16 in the subsequent tariff cycle is not in-line with the clause 2.13 of the tariff guidelines, 2005 and hence, cannot be considered.

(v). To summarise, the additional surplus (after permissible cost and return) considered for adjustment in the current tariff cycle is as follows from the analysis of the past period 2013-14 to 2015-16 as tabulated below:

Particulars	**₹ in Lakhs**	**To be set off**	**Considered for adjustment (₹ in lakhs)**
Adjustment of 100% additional Surplus arising on account of estimate of Maintenance Dredging cost allowed in the last tariff Order which in actual terms not spent any amount in the years 2013-14 to 2015-16	509.34	100%	509.34
Net Additional Surplus/Deficit for the years 2013-14 to 2015-16 excluding expenditure on Maintenance Dredging (₹11153.43 lakhs – ₹509.34 lakhs)	10,646.20	40%	4,258.48
Total	**11,155.54**		**4767.82**

(vi). Further, it is relevant to recall the decisions taken by this Authority in the January 2015 Order and January 2016 Order.

In the Order dated 15 January 2016 while disposing of the review application, the adjustment of ₹888 lakhs assessed surplus accrued to SWPL on account of delay in commissioning of in motion wagon loading system and related assets pertaining to the past period 2010-11 to 2012-13 was considered for adjustment over five years period at the request of the SWPL for reasons elaborately stated in para 12.3 (vi) of the said Order. Thus, out of ₹888 lakhs, surplus, an amount of ₹29.60 lakhs was considered for adjustment in the year 2014-15 (from February 2015) and ₹177.60 lakhs in the year 2015-16 aggregating to ₹207.20 lakhs for fourteen months. The said Order stated that the remaining additional surplus of ₹680.80 lakhs will be considered for adjustment in the next tariff cycle i.e., 2016-17 to 2018-19.

This Authority in the Order disposing of the review application based on the detailed analysis contained therein has, following the AG's opinion, out of ₹6858 lakhs (i.e., ₹7746 lakhs – ₹888 lakhs) being additional surplus assessed for the years 2010-11 to 2012-13 for adjustment, allowed the SWPL to retain 20% additional surplus. Which was ₹1371.60 Lakhs (20% X ₹6858). The balance amount to be shared by SWPL and users at 50%:50% was assessed at ₹5486.40 lakhs [i.e. ₹6858 lakhs – ₹1371.60 lakhs).

Of ₹5486.40 lakhs, 50% is considered for adjustment i.e., ₹2743.20 lakhs and 50% i.e., ₹2743.20 was allowed to retain with the SWPL in the said Order. In the said Order, for the reasons stated, the Authority has considered adjustment of additional surplus of ₹2743.20 lakhs over five years (from February 2015) in line with the decision taken in the last tariff order dated 2 January 2015 at para 12(v)(h). Accordingly, ₹91.44 lakhs was considered for adjustment in the year 2014-15 (from February 2015) and ₹548.64 lakhs in the year 2015-16 aggregating to ₹640.08 lakhs for adjustment for fourteen months in the January 2016 Order. The remaining unadjusted additional surplus is ₹2103.12 lakhs is to be considered for adjustment in the next tariff cycle i.e., 2016-17 to 2018-19.

Thus, the total overall additional surplus of ₹2783.92 lakhs (₹680.80 lakhs on account of non-deployment of in-motion wagon loading system and related assets and ₹2103.12 lakhs for adjustment in the current tariff cycle) remains for adjustment.

Flowing from the decision of this Authority in 15 January 2016 Order there will be unadjusted surplus of ₹605.20 lakhs (i.e., ₹148 lakhs + ₹457.20 lakhs) which will in normal course spill over to next tariff cycle after adjustment of ₹2178.72 lakhs (₹1645.92 lakhs + ₹532.80 lakhs). In view of the deficit position reflected in the cost statement of SWPL for the years 2016-17 to 2018-19 which is being dealt in the subsequent paragraphs, it is seen that there is a case for granting an increase in tariff. Hence, allowing SWPL to retain un adjusted additional surplus of ₹605.20 lakhs and simultaneously granting increase in the tariff in the current tariff cycle in view of the deficit position is not found appropriate. Hence, ₹680.80 lakhs and ₹2103.12 lakhs as explained earlier is considered for adjustment in equal instalment in the current tariff cycle for the years 2016-17 to 2018-19.

(vii). The actual throughput handled by SWPL is 11.03 MMTPA in the year 2015-16. As against that the traffic estimated by SWPL for the year 2016-17 is 7.50 MMTPA. The traffic estimated by the SWPL for the year 2016-17 is found to be 32% lower than the actual traffic handled in the year 2015-16. The SWPL has estimated traffic at the same level of 7.50 MMTPA for the subsequent two years 2017-18 and 2018-19

The SWPL was requested to justify the impact of the investment proposed on replacement of existing equipment viz., 2 HMCs, 2 Ship unloaders, Mechanical handling System and handling equipment traffic projections and the reasons for not considering any traffic growth.

The SWPL has stated that the MOPT has proposed capital dredging to increase draft of navigational channel for cape size vessels. As this project was announced 2 years back and to meet with the requirement of cape vessel handling, the SWPL ordered ship unloaders to replace MHCs which have run most of their operational life. Capital dredging project of the Port Trust is opposed by local people who approached to National Green Tribunal (NGT) who have stopped this project. The SWPL has emphatically stated that in view of Capital dredging project development, this project is very unlikely to be completed within 3 years. Cape size vessels is expected to not come in near future. Hence, these ship unloaders will not be able to perform to their capacity.

The SPWL has clarified that Traffic growth is not projected for the following reasons:

(a). The MOPT has awarded license for development of Berth 8, 9 and 9A which will also require rakes for evacuation of cargo. The MOPT is environmentally very sensitive port because of its closeness to the Vasco Town. Movement of coal through road is not preferred. Hence, evacuation of cargo is primarily depending on rakes. After the development of Berth nos.8, 9 and 9A and operation of Berth 7 in full capacity, rakes availability will be a concern to utilize the capacity of the terminals.

(b). There is increased competition from Berth 7 operator which shares rakes available every day to the Port. During last 3 years, rakes shared by berth 7 was on an average less than 1 rake a day which is increased to 2 rakes a day. As there is limitation for rakes availability for Mormugao Port Trust, after sharing with Berth 7 and Berth 8, 9 and 9A, rakes for SWPL Terminal will be very limited. Cargo throughout at SWPL terminals is directly linked to the rakes availability as transportation through trucks is not viable for environmental issues and space constraints. With less rakes available to SWPL, cargo throughput will be reduced.

(c). During financial year 2015-16, Goa Pollution Control Board has given notice to the Port that due to environmental factors, Port Trust should consider to reduce its cargo throughput by 25% every year on its terminal 6A and 7. (Terminal 6A is operated by SWPL).

(d). New project of Berth 8, 9 and 9A which can be developed and can be operational in part, will also share rail infrastructure and rakes availability. Hence, rakes availability for SWPL Terminal will be limited.

In light of the above, the SWPL is foreseeing drastic reduction in cargo throughput at SWPL Terminal which may be much lesser than actual traffic handled in the last three years.

(viii). (a). The MOPT is of the view that the SWPL has projected lower traffic due to the uncertainty over coal handling due to the Goa State Pollution Control Board (GSPCB) directives and considering the order of GSPCB, the MOPT has found the traffic estimates of the SWPL are reasonable.

As stated earlier, the actual traffic handled by SWPL during the period from 2013-14 to 2015-16 is 8.52 Million Metric Tonnes Per Annum (MMTPA), 9.13 MMTPA and 11.03 MMTPA respectively. As against this position, the SWPL has estimated the traffic projections at 7.5 MMTPA for each of the years 2016-17 to 2018-19. The SWPL has justified the traffic projection at 7.5 MMTPA for each of the 3 years. The MOPT has found the traffic projection reasonable. None of the users/ user association have raised any objection on their traffic estimates of SWPL.

This Authority does not carry out traffic study of Major Port Trusts and BOT operators operating thereat. In view of the submissions made by the SWPL and also recognising that the MOPT has also found the traffic projections of SWPL for the years 2016-17 to 2017-18 as reasonable, this Authority relies upon the traffic projections at the level estimated by the SWPL which is confirmed by the MOPT also. However, in case the actual traffic handled by the SWPL varies significantly from the estimates considered relying on the submissions made by the SWPL, this Authority shall call upon the SWPL 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. In this regard, SWPL and MOPT are advised to furnish the actual traffic handled for every six months.

(b). The ratio of percentage of steel cargo handled from Foreign going vessel and coastal vessels during the years 2013-14 to 2015-16 is 87:13. However, while estimating the steel cargo for the years 2016-17 to 2018-19, the SWPL has considered the ratio at 25:75. The SWPL has clarified that for next three years as export market for steel products is expected to remain subdued, export of steel products is estimated lower than the coastal transportation. This position is relied upon.

(ix). The income estimated by the SWPL at the existing level of tariff for the throughput projected for the years 2016-17 to 2018-19 is analysed hereunder:

(a). The berth hire income estimated by the SWPL at the existing tariff for the years 2016-17 to 2018-19 is ₹5529.90 lakhs, ₹5540.20 lakhs and ₹5551 lakhs respectively.

The SWPL has reported 174, 187 and 179 number of vessels handled during the years 2013-14 to 2015-16 respectively and the number of vessels estimated to be handled is 181, 183 and 186 for the years 2016-17 to 2018-19 respectively. However, the income from berth hire is estimated to reduce from 1028.06 million reported in the year 2015-16 to ₹5529.90 lakhs in the year 2016-17 (-85.91%) despite marginal increase in number of vessels.

To a query in this regard, the SWPL has stated that it has handled 179 vessels comprising of 128 foreign going vessels for coal, 40 foreign going vessels for other cargo and 11 coastal vessels during the year 2015-16. Whereas, in the current proposal, port has estimated the foreign going vessels at the level of 100 for coal handling and 12 for other cargo handling and coastal vessels at 67. The increase in number of vessel is only due to increase in coastal vessels which have lesser GRT and lesser tariff due to concession applicable to coastal vessel. The SWPL has also stated that the average discharge rate has been considered higher than the actual during previous years, which effectively reduces berth days and hence lesser berth higher income.

When requested the MOPT to comment on reasonableness of vessel projection and berth hire income estimated by SWPL, the MOPT has stated that the Berth Hire income should be directly proportional to the total no. of vessels handled. As the no. of vessels is increasing, the Berth Hire income of SWPL should also be increased proportionately considering the present average stay at berth.

On the analysis of the detailed computation of the berth hire income furnished by SWPL it is seen that for estimating the optimal capacity, the SWPL has considered handling rate of coal at 30000T / day. However, for estimating the berth hire income the number of berth days is arrived considering handling rate of 35000 T/ day. This is one of the causes for reduction in the estimation of berth hire income. In the revised Cost Statement, the berth hire income is modified considering the handling rate for coal as considered by SWPL for assessing the optimal capacity. Further, while estimating the berth hire income from steel vessel it is seen that there is some error in the linkage given in the excel vessel for foreign steel cargo and coastal steel cargo. This error observed is corrected. It is further seen that the exchange rate considered by SWPL for estimating the dollar denominated berth hire income is 1US$= ₹67. In our analysis, income from berth hire charge is estimated based on the prevailing exchange rate of 1 US$ = ₹66.73 at the time of concluding the analysis in this case.

Subject to the modifications explained above, the estimated berth hire income works out to ₹6382.31 lakhs, ₹6367.03 lakhs and ₹6355.59 lakhs for the years 2016-17 to 2018-19 respectively as against ₹5529.90 lakhs, ₹5540.20 lakhs and ₹5551 lakhs estimated by SWPL for the corresponding years.

(b). The MOPT while furnishing its comments has stated that 7 vessels above 60,000 GRT have actually been handled in the year 2015-16 as per port records with the highest GRT being 93,186 against which the SWPL has shown as NIL. The MOPT has also commented that the SWPL has not projected any vessels to be handled in the year 2016-17 onwards whereas SWPL has already handled 7 vessels above 60,000 GRT in the year 2016-17 i.e., upto 19.08.2016. Further, the MOPT has stated that no. of coastal vessels estimated to be handled from the year 2016-17 onwards is at 6 times that of coastal vessels handled during the year 2015-16 whereas the coastal traffic the same trend is maintained for the current period. When sought specific reasons for non-disclosure of vessels handled in 2015-16 and upto 16.08.2016 (2016-17) under this slab, the SWPL has clarified that it has handled a few vessels of GRT more than 60,000 in the year 2015-16 and some in first 2 months in the year 2016-17. These vessels were partially loaded as draft at Mormugao Port was not enough for direct berthing of fully loaded cape vessels. For vessels handled in 2015-16, the Audited Annual Accounts for the year 2015-16 captures the actual revenues.

The SPWL has clarified that the MOPT announced Capital dredging project to increase draft to facilitate cape vessels. It was expected that during FY 2016-17 the project will be completed and fully loaded cape size vessels will be able to come directly alongside berth. In light of this, to test the equipment's efficiency and terminal's other facility a few partially loaded cape size vessels called on at Berth 6A. The SWPL has stated that these vessels were partially unloaded at other ports which have enough draft to berth cape vessels, like Krishnapatnam Port. At that time, difference in freight charges between cape and panamax vessels were enough to negate the additional logistics cost. Currently this difference is also not available to call partially loaded cape vessels.

More pertinently, capital dredging project is very unlikely will be completed within next 3 years. In light of the above, SWPL in its proposal for tariff, has not assumed any vessel of GRT more than 60000 GRT.

In this connection, it is relevant here to mention that the tariff approved towards berth hire charges is in two slabs i.e., vessel upto 30000 GRT and 30000 GRT and above. Hence, it does not have any impact on the revenue estimation for estimating the vessels below 60000 GRT and 60000 GRT and above. With regard to handling of 7 foreign going vessels in the year 2015-16, the operating income is considered on actual basis as reported in the audited annual account of 2015-16, as rightly stated by SWPL.

(c). The SWPL has furnished detailed computation of revenue estimation from cargo handling activity for the traffic projected for the years 2016-17 to 2018-19 and applying the existing tariff. The income computation by the SWPL is found to be in order and hence considered at the level estimated by the SWPL as supported by the calculations.

As regards the storage income, the SWPL has estimated ₹100 lakhs uniformly for each of the years 2016-17 to 2018-19 as against the actual storage income reported for the past period 2013-14 to 2015-16 is ₹302.28 lakhs, ₹361.54 lakhs and ₹321.83 lakhs respectively. When requested to furnish the reasons for low estimation of storage charges in comparison with actual storage revenue reported, the SWPL has stated that higher revenue from storage accrued because of higher volume handled. Lesser volume in turn will have lesser congestion in evacuation line and hence, lesser storage income considered. Relying on the clarification furnished by the SWPL the storage income estimated by the SWPL is considered.

(d). The existing Scale of Rates does not prescribe tariff for supply of water to vessels. However, while filing its proposal the SWPL has proposed to prescribe tariff for supply of water to vessels at US $ 3.3069 per 1000 liters for foreign going vessel and ₹88.55 per 1000 liters for coastal category vessels. The SWPL has not estimated any income from supply of fresh water in the future projections. In fact, actual income reported for the last four years 2013-14 to 2015-16 also do not show any income from supply of fresh water to vessel. The SWPL has, subsequently while responding to the information sought by us, proposed to exclude this item from the draft Scale of Rates.

(e). The SWPL has confirmed that the income estimates are excluding service tax from revenue as well as expense for proposal. The SWPL has also confirmed that it has not considered any discount/ rebate while estimating revenue for the three years 2016-17 to 2018-19. This means, the revenue is estimated at the existing tariff approved by this Authority.

(f). Subject to the above analysis, the modified total operating income considered is ₹16,428.31 lakhs, ₹16,413.03 lakhs and ₹16,401.59 lakhs for the years 2016-17 to 2018-19 respectively as against ₹15,575.90 lakhs, ₹15,586.20 lakhs and ₹15,597 lakhs estimated by the SWPL for the corresponding period.

(x). Clause 2.5.1. of the tariff guidelines of 2005 requires that the expenditure projections of the terminal operators 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 escalation factor adopted by this Authority in respect of tariff cases filed under Tariff Guidelines, 2005 to be disposed during the year 2016-17 is 2.46%. Annual escalation applied by the SWPL for estimating some of cost items like manpower cost at 8% is found to be higher than the permissible level. In our analysis, the estimate for the years 2016-17 to 2018-19 are modified applying the annual escalation factor of 2.46% over the actuals / estimate of respective previous years wherever the annual escalation applied by the SWPL is higher than the stated level.

(xi). (a). The operating and direct labour cost is towards cargo handling expenses to cover stevedoring and cargo handling contract for back-up operations including liaisoning works which are outsourced by SWPL. The SWPL has furnished detailed workings of the operating and direct labour cost indicating the existing unit rate and the estimates for the next three years for each cargo group. The SWPL has also furnished the copy of Cargo Handling Agreement (CHA) dated 7 January 2014 and addendum to the CHA dated 31 March 2015 entered by SWPL with the contractor in support of unit rate considered in the estimates of cargo handling expenses under operating and direct labour cost.

The SWPL, has confirmed that the cargo handling contract given to JSW Infrastructure Limited (JSWIL) is in line with the transfer pricing guideline issued by the Income Tax Act, 1961 and Companies Act, 2013. The SWPL has also stated that the contract given to JSWIL after considering various offers and decided on arms' length basis and is subject to transfer pricing audit as required under Income Tax Laws.

The unit rate considered by the SWPL for estimation of cargo handling expenses for coal and steel is found to be in line with the unit rate applicable as per the agreement and the addendum furnished by the SWPL. It is, however, seen that the SWPL has not estimated cargo handling expenses for lime stone projected at 0.10 MTPA in the traffic projections. In our estimates, the cargo handling expenses is modified to capture the expense for limestone projections as well.

Subject to the modifications explained above, the estimated cargo handling expenses under operating and direct labour cost at ₹7596.23 lakhs, ₹7976.04 lakhs, and ₹8374.84 lakhs are considered for the years 2016-17 to 2018-19 a respectively as against ₹7497.00 lakhs, ₹7871.90 lakhs and ₹8265.40 lakhs estimated by SWPL for the corresponding years.

(xii). The estimated equipment running cost comprises of power cost, fuel cost, stores and spares consumed and cost of repairs and maintenance. Each items of estimate is discussed in the following paragraphs:

(a). (i). The actual average power consumption reported for the year 2015-16 is 1.16 units per tonne and estimated at the same level of consumption for the for the years 2016-17 to 2018-19. Since, the power consumption is based on actual for the 2015-16, the power consumption estimated by SWPL is relied upon in the analysis.

(ii). The SWPL, in its revised proposal, has considered the per unit power cost at ₹5.88, ₹6.17, ₹6.48 for the years 2016-17 to 2017-18 respectively. The SWPL has furnished a copy of an Electricity bill raised by Electricity department, Government of Goa for the month of August 2016 according to which the rate is ₹6.11/ unit. The increase in the total per unit cost power considered by the

SWPL is 5% for the years 2017-18 and 2018-19 respectively over the estimates of the respective previous years. The escalation factor applied by the SWPL is higher than the admissible level of 2.46% per annum. The per unit power cost reported by the SWPL is considered for the year 2016-17 based on the documentary support furnished by the SWPL. For the years 2017-18 and 2018-19, annual escalation is moderated to 2.46% per annum.

(b). The actual fuel consumption reported by the SWPL for the year 2015-16 is 0.07 litres per tonne and estimated at the same level of consumption for the for the years 2016-17 to 2018-19. Since, the fuel consumption is based on actual for the 2015-16. The power consumption estimated by SWPL is relied upon in the analysis.

The unit cost of fuel considered by SWPL for the year 2016-17 is ₹49.50 per litre. For the subsequent years 2017-18 to 2018-19, the SWPL has estimated annual escalation of around 10%. The SWPL has furnished a copy of diesel bill dated 25 August 2016 which reflects fuel cost at ₹50.69/ litre. The fuel cost of 50.69/ litre per litre is considered for the year 2016-17 and an annual escalation of 2.46% per annum is allowed for each of the years 2017-18 to 2018-19 over the estimates of respective previous years.

(c). The SWPL has reported actual stores and spares consumption at ₹726.40 lakhs for the year 2015-16. For the years 2016-17 to 2018-19, the SWPL has considered an increase in the estimation of stores and spares consumption at 2.46% for the years 2016-17 to 2018-19 respectively over the estimates of the respective previous years. The escalation factor applied by the SWPL is at the level of 2.46% per annum. Hence, the figures estimated by the SWPL is considered in the analysis.

(d). The SWPL has reported actual repairs and maintenance cost at ₹1025.39 lakhs for the year 2015-16. For the years 2016-17 to 2018-19, the SWPL has estimated repairs and maintenance at 1.5% of the Gross Block of Plant Machinery, 0.5% of Gross Block of Buildings, Sheds and 20% of others on the opening gross block of each of the years 2016-17 to 2018-19. It is seen that the SWPL has not estimated repairs and maintenance cost on additions proposed to the gross block in the respective years.

In our analysis, for estimating repairs and maintenance cost on the existing asset block gross block of assets, the actual repairs and maintenance cost reported as on 31 March 2016 is taken as the base and escalated by applying annual escalation of 2.46% for each of the years 2016-17 to 2018-19.

In order to take care of incremental repairs and maintenance cost on the proposed assets to be added in this cycle, the repairs and maintenance cost is estimated at 0.5% on the civil assets and 1% of mechanical equipment adopting the percentage considered by SWPL for estimating repairs and maintenance cost.

(e). In the light of the above analysis, the total equipment running cost comes to ₹1907.31 lakhs, ₹2038.33 lakhs and ₹2124.87 lakhs for the years 2016-17 to 2018-19 respectively as against ₹1878.85 lakhs, ₹1937.70 lakhs and ₹2187.71 lakhs estimated by the SWPL for the corresponding period.

(xiii). The actual license fee paid by SWPL to MOPT is reported at ₹564.17 lakhs in the year 2015-16. This is for 100400 sq. mtrs. area at the unit rate of ₹561.92 / sq. mtr. The license fee payable to MOPT is estimated by SWPL for the years 2016-17 to 2018-19 at ₹592.40 lakhs, ₹622 lakhs and ₹653.10 lakhs respectively applying 5% annual escalation stating that the estimates in this regard are in line with the license agreement and the same is being charged by the MOPT.

The MOPT has reported that the actual lease rent and way leave charges billed to SWPL for the year 2016-17 and 2017-18 is ₹613.30 lakhs and ₹643.20 lakhs respectively. There is a variation in the estimates considered by the SWPL and actual lease rental and way leave charges reported by the MOPT. In our analysis, since, the MOPT has reported that bills were already raised on SWPL for the lease rentals payable for the year 2016-17 and 2017-18, this item is considered as indicated by the licensor port. For the year 2008-09, it is estimated applying 5% escalation as considered by SWPL for this item.

(xiv). As stated earlier, there was no expenditure reported in the audited annual accounts of SWPL for the maintenance dredging for the years 2013-14 to 2015-16. The SWPL has not estimated any expenditure in this regard in the original proposal dated 6 July 2016. However, in the revised proposal dated 18 October 2016, the SWPL has estimated an amount of ₹500 lakhs for the years 2016-17 and ₹350 lakhs for each of the year 2017-18 and 2018-19 amounting to a total expenditure of ₹1200 lakhs stating that the issue of raising the bills towards maintenance dredging by MOPT is under litigation and the liability under maintenance dredging cost shall be retrospectively on SWPL if the decision of this goes in favor of MOPT. However, the SWPL has not furnished any workings for arriving the estimated expenditure of ₹1200 lakhs towards maintenance dredging.

The MOPT has also confirmed that there is dispute between the SWPL and MOPT and the MOPT has appealed against the Arbitral award which was awarded in favor of SWPL and same in in progress. The MOPT has stated that thus the maintenance dredging expenditure alongside Berth No.5 & is subjudice and SWPL is not making any payment to the Port in this regard. The MOPT has not quantified any expenditure towards maintenance dredging for the years 2016-17 to 2018-19.

In view of the above position and recognising that SWPL has not made any payment towards maintenance dredging to MOPT in the last 3 years 2013-14 to 2015-16 as is seen from the Audited Annual Account of the respective years and also confirmed by the MOPT, this Authority is not in a position to consider this estimate in future projections. In case the decision of the Hon'ble Court is not in favour of SWPL, the SWPL can any time during the validity of this tariff cycle approach this Authority for ahead of review on account of this item alone.

(xv). (a). The L.A. was signed by the SWPL with MOPT in April 1999. Therefore, the SWPL is entitled to claim permissible level of revenue share to the extent of second quote as per clause 2.8.1 of the tariff guidelines 2005. The earlier tariff review of SWPL also allowed pass through of revenue share to the extent of the second quote.

(b). During the tariff revision exercises undertaken in the previous years the MOPT had mentioned that the revenue share quoted by the next highest bidder was 13.10%.

(c). The SWPL has, accordingly, considered the revenue share as pass through to the extent next highest bid i.e. 13.10% of the cargo handling income estimated for the years 2016-17 to 2018-19. The same is found to be in line with the stipulation made in the tariff guidelines 2005 and is considered.

(xvi). The insurance cost estimated by the SWPL is ₹111.90 lakhs, ₹157.40 lakhs and ₹173 lakhs for the years 2016-17 to 2018-19 respectively. The SWPL has estimated the insurance cost at 0.33% of the Gross Block of fixed assets.

The actual insurance cost for the year 2015-16 reported at ₹110.38 lakhs in the audited Annual Accounts of SWPL is supported with copy of insurance cover furnished by the SWPL. It is observed that based on the actual insurance cost reported for the 2015-16, the insurance cost works out to around 0.33% of the gross block of assets. The actual insurance premium reported in the year 2015-

16 is taken as base for the existing asset block of assets as on 31 March 2016 and escalated by 2.46% annum for the years 2016-17 to 2018-19. For additions to the gross block of assets, proposed in each of the three years 2016-17 to 2018-19, insurance cost is estimated applying 0.33% as considered by SWPL. For this purpose, in the absence of SWPL indicating the exact date of commissioning of the additions to the gross block of assets except commissioning of 2 ship unloader in the year 2016-17, it is assumed that the additions proposed by SWPL will be in the middle of each of the years and is estimated for six months in the year of addition and for the year subsequent to the year of additions, the insurance cost is estimated for the full year. In case 2 ship unloaders, SWPL has reported that these equipment are already commissioned. Hence, insurance on this item is estimated for the full year of 2016-17.

In the light of the above analysis, the modified insurance cost considered is ₹152.05 lakhs, ₹165.29 lakhs and ₹181.48 lakhs for the years 2016-17 to 2018-19 respectively as against ₹111.90 lakhs, ₹157.50 lakhs and ₹173 lakhs estimated by the SWPL for the corresponding period.

(xvii). It is seen that the Management and Administration Overheads (MGO) is estimated by the SWPL by applying annual escalation of 7.86% for the years 2016-17 to 2018-19. In our analysis, the estimates are moderated applying escalation factor of 2.46% per annum.

(xviii). Depreciation:

As per clause 2.7.1. of the tariff guidelines of 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. The proposal of the SWPL states that depreciation is computed on straight line method for life norms permissible in accordance with the Companies Act, 2013.

While estimating the deprecation on various group of assets, the SWPL has considered the depreciation rate at 5% on the additions proposed to Plant & Machinery and Wharves, Roads, Boundaries and deprecation at 8% is considered for Furniture & Fixtures and depreciation on other assets, it is considered in the range of 5% to 20%.

Further, it is seen from Form 4A furnished that the SWPL has not estimated depreciation on the additions to the gross block in the year it has proposed the addition.

The actual depreciation rate based on the depreciation reported for the year 2015-16 for plant and machinery and wharves, roads, boundaries comes to around 5% on the relevant gross block and for furniture & fixtures, the depreciation rates comes to 8% and other assets, the depreciation is ranging from 20% to 5%. That being so, the depreciation is considered on the additions to gross block in the years 2016-17 to 2018-19.

In the absence of the exact date of commissioning of assets indicated by SWPL except 2 ship unloaders, it is assumed that the assets will be deployed in the middle of the year and accordingly depreciation is allowed for six months in the year of additions proposed to the gross block of assets applying the actual depreciation rate. For additions relating to 2 ship unloaders, depreciation is allowed for the full year 2016-17 based on the clarification of SWPL that this equipment is already deployed.

(xix). Preliminary expenses of ₹8.70 lakhs incurred during construction period was earlier proposed to be capitalised under civil and equipment cost and depreciated at the applicable rates. During the last tariff revision, this item was treated separately and excluded from the gross block of assets and the expenses were spread over the remaining period of the project. In the current tariff revision exercise, the SWPL has not made this adjustment, despite request.

In the modified cost statement considered by us, depreciation on the capitalised part of preliminary expense is excluded with consequent adjustment in the net block of assets. The preliminary expense write off is considered at the level considered in the last tariff Order instead of ₹10 lakhs considered by the SWPL with suitable modification in the capital employed.

(xx). The Finance and Miscellaneous Income (FMI) estimated by SWPL for the years 2016-17 to 2018-19 includes 50% of the interest received on misc. deposits and other receipts like sale of scrap. Since the interest received on misc. deposits and others are not admissible, this item is excluded from the FMI. The other items are considered at the level of 2015-16 actuals for each of the years 2016-17 to 2018-19. The Finance & Misc. Expenses (FME) are considered for the years 2016-17 to 2018-19 at the level of actual FME income reported in the audited Annual Accounts of 2015-16.

(xxi). As per the LA, Security Deposit of ₹1.53 crores paid by the SWPL to the MOPT is refundable at the end of the project period. During the last tariff revision, the Security Deposit refund was annualized over the remaining period of the project life by discounting at 11%. The SWPL has not considered the effect of this item. In the last tariff fixation exercise, the terminal value receivable at the end of the project was annualized over the project life by applying discounting rate of 11%. The same approach is followed in the existing tariff revision exercise.

(xxii). (a) The SWPL has proposed the following additions to the gross block of assets in the three years 2016-17 to 2018-19:

Year	Particulars	₹ in Lakhs	Proposed under
2016-17	Replacement of ship unloaders	12800	Cargo Handling Activity
	Wharves, Roads and Boundaries	1000	Vessel related Activity
2017-18	Mechanical Handling system	4735	Cargo Handling Activity
2018-19	Replacement of Handling Equipment at Back up area	2500	Cargo Handling Activity

(b). To a specific query with regard to reasonableness on the additions proposed to the gross block by the SWPL, the MOPT has stated that the Licence Agreement (Clause 3.5, 4.4 & 6.1) permits licencee to carry out modification/upgradation in the capacity from time to time. While furnishing its comments, the MOPT has also requested to ensure that the additions to the gross block are under Cargo Handling Activity and not under Vessel Related Charges. In this connection, it is relevant to mention that the SWPL has proposed additions to gross block of ₹20,035 lakhs relating to cargo handling under Cargo Handling Activity and ₹1,000 lakhs related to vessel services under Vessel related Activity. As stated earlier, the SWPL has not furnished the current status of the additions proposed to the gross block of assets except with reference to the addition proposed of ₹12800 lakhs towards 2 Ship unloaders. The total additions to the gross block of assets proposed by the SWPL during the current tariff cycle are relied upon subject to review in the next cycle.

(c). Working Capital:

(i). The SWPL has considered 2 months of operating income and 50% of lease rentals as Sundry Debtors for the years 2016-17 to 2018-19 as against two months' estate income & Railway terminal chargers payable by Indian Railways. This is not in line with the provisions contained in the tariff guidelines of 2005. Sundry Debtors is considered as NIL following the norms prescribed in the clause 2.9.9. of the Tariff Guidelines 2005.

(ii). The SWPL has considered 6 months consumption of stores excluding fuels of 2015-16 as the base and applied 2.46% annual escalation to arrive at the estimates for the years 2016-17 to 2018-19. The inventory estimated by the SWPL is in line with the norm prescribed in the Tariff Guidelines of 2005.

(iii). Cash balance has been calculated at one month's modified operating expenses, including overheads.

(iv). As per article 10.12 of the License agreement, the SWPL is obliged to keep security deposit of ₹1.53 crores free of interest throughout the period of license with the port which is refundable at the end of the project. Flowing from the decision in the Order of September 2008 to consider certain items arising from contractual obligations of LA and in line with the approach followed in the last tariff Orders, the security deposit is considered as part of current assets while computing the working capital.

(v). The SWPL has estimated current liabilities at ₹2750 lakhs for each of the years 2016-17 to 2018-19. The SWPL has not furnished any basis for arriving at this item. In our analysis, this item is estimated considering the current liabilities excluding short term provisions of 2015-16 as the base and applying 2.46% annual escalation.

(vi). Based on the above analysis, the Working Capital results in a negative figure. Since the Working Capital is negative, it has been taken as nil.

(d). The modified capital employed considered in the cost statement is ₹30,181.10 lakhs, ₹32,489.75 lakhs and ₹32,395.50 lakhs for the years 2016-17 to 2018-19 respectively.

(xxiii). The SWPL has furnished consolidated cost statement as well as cost statement for the sub-activities i.e., cargo handling activity and berth hire activity. It is seen that the SWPL has apportioned 63.64% of the cargo handling expenses to the cargo handling activity and balance 36.36% to the berth hire activity. Around 66.67% of the equipment running and maintenance is apportioned to cargo handling activity and balance 33.33% to the berth hire activity. 60% of all other expenses except FME is apportioned to the cargo handling activity and balance 40% to the berthing activity. The SWPL has apportioned the FME in the ratio of 50:50 to cargo handling activity and berth hire activity. To a clarification sought in this regard, the SWPL has stated that the cargo handling contract, which is outsourced completely, is composite and takes care of all the cost from unloading of cargo from vessels to loading of cargo into the rakes. This cost is allocated to both vessels related operation and cargo related operations. Cost of outsourced contract is allocated in the proportion of cargo handling revenue and vessel related revenue (i.e., berth hire) in the total revenue and hence, proposed 36.36% allocation of this to VRC. This is not found not to be in line with the expenses apportioned to the two sub activities in the last tariff revision order.

The MOPT while furnishing it comments on the proposal for general revision of Scale of Rates of SWPL, has raised its concern on the apportionment of expenditure to cargo handling activity and berth hire activity and the methodology considered by SWPL in apportionment of expenditure has resulted in a disproportionate surplus for the berth hire activity as against the cargo handling activity.

The MOPT has also stated that the operating ratio of cargo related and berthing activity is 78.39% and 5.42% respectively. Also, the berthing activity expenditure is 5.12% of the cargo related activity whereas the berthing income is 74.11%. This has resulted in the Net surplus as a % of operating income in berthing activity being almost 5 times that of the cargo handling activity. The MOPT has stated that SWPL has to pay revenue share only on cargo handling charges and not on Berth Hire Charges. The MOPT has opined that the apportionment of expenses between the two sub activities by the SWPL is clearly skewed in favour of the berthing activity resulting in a loss of revenue share to the Port and gains to SWPL. The same trend is continued for the projections for 2016-17 to 2018-19 also and has requested for a review.

It is relevant here to state that during the last tariff revision for estimating the cost position the expenses were apportioned between the two sub-activities based on the average of percentage share of expenses apportioned between the two activities in the years 2010-11 to 2012-13. In the said Order, 96% of the expenses were apportioned to the cargo handling activity and balance 4% to the berth hire activity. Around 88% of the equipment running maintenance was apportioned to cargo handling expense and balance 12% to the berth hire activity, 100% of the revenue share payment was apportioned to the cargo handling expense, 40% of the lease rent maintenance was apportioned to cargo handling expense and balance 60% to the berth hire activity, 75% of all Management and General Administration Overheads (MGAO) to the cargo handling activity and balance 25% to the berthing activity.

In our analysis, the ratio of apportionment of expenses between the two sub-activities is maintained at the level followed in the last tariff Orders for the years 2013-14 to 2015-16 as well as for the years 2016-17 to 2018-19.

It is relevant to mention that though this exercise of apportioning the expenses between the two activities is considered it is not going to have any impact on the final determination of tariff as the tariff is determined in this case based on the overall cost position as explained in the subsequent paragraphs.

(xxiv). The initial validity of the Scale of Rates prescribed in the last tariff Order was till 31 March 2016, the last extension being till 30 September 2016. The extension of the Scale of Rates of the SWPL was subject to full adjustment of additional surplus, if any, over and above the admissible cost and permissible return for the period post 1 April 2016 in the tariff to be determined. The consolidated cost statement for the year 2016-17 reflects a deficit to the tune of ₹1612.79 lakhs. In any case, the final decision on the quantum of tariff revision is based on the aggregate of the net position for the 3 years under consideration i.e. 2016-17 to 2018-19.

(xxv). The consolidated cost statement and main activity-wise cost statements for the years 2016-17 to 2018-19 have been modified in line with the above analysis. The modified cost statements are attached as **Annex – II (a) to (c)**. The summarised position of the results disclosed by the financial / cost statements is tabulated below:

Particulars	**Operating Income (₹ in lakhs)**				**Net Surplus (+) / Deficit (-) after adjustment of past surplus (₹ in lakhs)**				**Net Surplus (+) / Deficit (-) as a % of operating Income**			**Avg. surplus/ deficit %**
	2016-17	**2017-18**	**2018-19**		**2016-17**	**2017-18**	**2018-19**		**2016-17**	**2017-18**	**2018-19**	
Consolidated cost statement for the terminal as a whole	16428.31	16413.03	16401.59	49242.93	(1612.79)	(2675.68)	(3425.78)	(7714.25)	(9.82%)	(16.30%)	(20.89%)	(15.7%)
Cargo handling Activity	10046.00	10046.00	10046.00	30138.00	(4076.82)	(5179.12)	(5999.06)	(15255.00)	(40.58%)	(51.55%)	(59.72%)	(50.62%)
Berth hire activity	6382.31	6367.03	6355.59	19104.93	2464.03	2503.45	2573.27	7540.75	38.61%	39.32%	40.49%	39.47%

The SWPL in the revised proposal, has proposed 34% increase in the cargo handling charges except storage charges and 17% increase in the berth hire charges.

While furnishing its comments on the proposal for general revision of Scale of Rates of SWPL, the MOPT has stated that the cargo handling charges at Adani Terminal is ₹247.20 per tonne and upfront tariff fixed for Berth No. 8 is ₹248.10 per tonne. In comparison, the existing rate of SWPL terminal is ₹130.70 and even after the proposed increase would ₹169.91 which is about 30% lesser than the charges of Adani Terminal as well as Berth No.8 and 9. The MOPT has also stated that the proposed berth hire charges of SWPL berth are substantially higher than berth hire charges of Adani Terminal and Berth No.8 and 9 charges. The Berth Hire charges of Adani Terminal and Berth No. 8 and 9 are ₹0.66 and ₹0.84 per GRT per hour respectively for foreign going vessel as compared to ₹2.55 per GRT per hour proposed by SWPL. In this connection, it is relevant to mention that the comparison drawn by the MOPT of tariff fixed for the PPP operators governed under upfront tariff guidelines of 2008 with SWPL whose tariff is fixed under 2005 Guidelines is not relevant as they are governed by different set of guidelines.

It is evident from the above table, that the overall cost position reflects an overall net deficit of 15.7% for the period 2016-17 to 2018-19 at the prevailing rates. In absolute terms, the overall net deficit is ₹7714.25 lakhs for the three years period.

It is seen that the aggregate deficit in the cargo handling activity is ₹15255 lakhs for the three years period which is being cross subsidized by overall net surplus of ₹7540.75 lakhs in the berth hire activity and the remaining net deficit for the terminal as a whole is ₹7714.25 lakhs. This warrants increase in the existing tariff of the SWPL to cover the estimated net deficit of ₹7714.25 lakhs in the current tariff cycle. By the time the Order approved by this Authority comes into effect it may be beginning of January 2016. Therefore, tariff increase is granted in such a way to cover the deficit of ₹7714.25 lakhs in the remaining 27 months of the three year tariff cycle of 2016-17 to 2018-19.

For this purpose, if we go by the activity wise cost position, then the berth hire will call for a steep reduction of 39.47% in the tariff whereas, the cargo handling activity will call for a steep increase of 50.62%. Instead of granting steep increase in cargo handling activity and effecting steep decrease in the berth hire activity if across the board increase is to be accorded it comes to 20.89%. However, SWPL has sought 17% increase in berth hire and 34% increase in cargo handling expense. As stated earlier, the MOPT has raised concern that the berth hire charges at SWPL is on a higher side and also the port does not earn any revenue share on berth hire charges. Hence, it is not prudent to grant an increase in berth hire more than the level sought by the SWPL. In view of the above position and in view of the concern raised by the MOPT about increase sought in the berth hire, this Authority decides to grant tariff increase of 10% in the berth hire as against 17% increase sought by the SWPL. The additional revenue on this account is estimated to be ₹1431.82 lakhs from January 2017 till 31 March 2019. The balance deficit of ₹6282.43 lakhs is bridged by granting 27.80% increase in cargo handling charge (except storage charge) as against 34% increase sought by the SWPL (except storage charge). The SWPL has proposed status quo in storage charge and the same is approved.

A calculation showing increase in the existing tariff granted by this Authority to meet the deficit of ₹7714.25 lakhs is given below:

(₹ in Lakhs)

Particulars			**Total**
Total Deficit for the current tariff cycle for the terminal as a whole after adjustment of past period surplus			**7,714.25**
	Cargo related	Vessel related	
Prorated revenue for 3 months i.e., January 2017 to March 2017	2,511.50	1,595.58	4,107.08
Estimated Revenue for the years 2017-18 to 2018-19	20,092.00	12,722.62	32,814.62
Total Revenue for a period from January 2017 to March 2019	22,603.50	14,318.20	36,921.70
Estimated Additional revenue from 10% Tariff increase granted in berth hire.	**-**	**1,431.82**	**-**
Balance deficit bridged by increasing cargo handling charge. [₹7,714.25 – 1,431.82]	**6,282.43**	**-**	**-**
% increase granted in cargo handling charge (excluding storage charges) (SWPL proposed 34%)	27.79% (Rounded to 27.80%)	-	-

(xxvi). The minimum berth hire charge in note (3) is proposed to be reduced from existing US$ 650 to US$ 588.25 for foreign-going vessel and for coastal vessel, it is proposed to be reduced from existing ₹17402 to ₹15748.80. The SPWL has not furnished any reasons for the proposed reduction. Since it is only the minimum berth hire charge, it is not expected to have any significant financial impact. The proposed reduction in the minimum berth hire charge proposed by SWPL is approved.

(xxvii). It is relevant to state here that this Authority in view of the clarification sought by the V.O. Chidambaranar Port Trust regarding levy of concessional charges for coastal cargo/ container has passed an Order No.TAMP/53/2015-VOCPT dated 29 September 2015 based on the recommendations of Directorate General of Shipping. The provisions approved in the said Order were further amended vide Order No.TAMP/53/2015-VOCPT dated 26 November 2015. The said Order passed is for common adoption by all the Major Port Trusts and the concerned BOT operators in whose Scale of Rates the relevant conditions are prescribed. That being so, the relevant note No (ii) under 1.2.General Terms and Conditions prescribed in the existing Scale of Rates of the SWPL are replaced with the modified provisions approved by this Authority vide Order dated 26 November 2015 at Sl No (ii) and (iii). The subsequent notes (iii) to (xi) are renumbered as (iv) to (xii).

(xxviii).The penal rate of interest for delayed payment is proposed at 14.25%. The prevailing Prime Lending Rate (PLR) of the State Bank of India is 14.05%. The proposed provision relating to penal rate of interest on delayed payments by users and delayed refunds by SWPL is updated with interest rate of 16.05% being 2% above the prevailing PLR of the State Bank of India in line with the 2005 tariff guidelines.

(xxix). As stated earlier, the SWPL has, in its original proposal, proposed a new tariff item as supply of fresh water to vessels. However, it is observed that the SWPL has not reported any income towards charges for water supply nor reported in the past four years period 2016-17 to 2018-19 for as well as in future estimates. While furnishing its comments on reasons for new tariff and basis for arriving the rate proposed, the SWPL has withdrawn the new tariff item proposed by it.

(xxx). As per the revised tariff guidelines, the private operators are required to propose incentive for better performance of the terminal and disincentive for performance below the benchmark level. The SWPL has not proposed incentive/ disincentive scheme in the current proposal despite advice. The SWPL is advised again to formulate such scheme at the time of its next proposal for review of tariff.

(xxxi).The tariff guidelines of 2005 prescribe tariff validity cycle of three years. Since the financial position considered for the purpose of this analysis is only till 31 March 2019, the validity of the revised Scale of Rates of the SWPL is prescribed till on 31 March 2019.

(xxxii). **(a).** **As per the Tariff Policy guidelines 2005, the rates prescribed in the Scale of Rates are ceiling levels; rebates and discounts are floor levels. The SWPL may exercise the flexibility to charge lower rates and/or allow higher rebates and discounts.**

(b). **If there is any error apparent on the face of record considered or for any other justifiable reasons, the SWPL may approach this Authority for review of the tariff fixed, giving adequate justification/ reasoning within 30 days from the date of notification of the Order passed in the Gazette of India.**

14.1. In the result, and for the reasons given above, and based on a collective application of mind, this Authority approved the revised SOR of the SWPL which has already been notified in the Gazette of India separately.

14.2. As stated in the said notification, the revised SOR shall come into effect after expiry of 30 days from the date of notification of the revised SOR in the Gazette of India and shall be in force till 31 March 2019. The approval accorded will automatically lapse thereafter unless specifically extended by this Authority.

14.3. The tariff of the SWPL has been fixed relying on the proposal filed 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 SWPL 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.

14.4. In this regard, the SWPL 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, TAMP will call upon the concerned operator to submit their proposal for an ahead of scheduled review. If the SWPL 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

SOUTH WEST PORT LIMITED

Analysis of the Past Period Performance of SWPL for the years 2013-14 to 2015-16

(Rs. In Lakhs)

Sr. No.	Particulars	Estimates relied upon in the Tariff Order dated 15 January 2016				Actuals				Variation in Percentage (%)
		2013-14	2014-15	2015-16	Total	2013-14	2014-15	2015-16	Total	
	Traffic (In MMTPA)	8.53	7.02	7.52	23.07	8.52	9.13	11.03	28.68	24.32%
	Capacity (in MMTPA)	5.00	7.50	7.50	20.00	5.00	7.50	7.50	20.00	
I	**Total Operating Income**									
	(i) Cargo handling income	12,337	9,847	9,596	31,780.20	12,336.87	13,367.13	13,890.95	39,594.95	24.59%
	(ii) Vessel related income	7,831	5,251	5,197	18,279.45	7,831.18	8,437.79	10,280.55	26,549.52	45.24%
	(iii) Other Income	-	-	-	-	-	-	-	-	
	Total (i to iii)	**20,168**	**15,098.28**	**14,793**	**50,059.65**	**20,168.05**	**21,804.92**	**24,171.50**	**66,144.47**	32.13%
II	**Operating Costs (excluding depreciation)**									
	(i) Cargo handling expenses	6,130	5,348	6,073	17,550.77	6,249.10	8,664.22	10,884.37	25,797.69	
	(ii) Equipment Running Costs	1,452	1,489	1,700	4,641.47	1,451.90	1,733.72	2,103.98	5,289.60	
	(iii) Maintanence dredging	-	248	261	509.34	-	-	-	-	
	(iv) Royalty / revenue share	1,616	1,300	1,405	4,320.87	1,616.13	1,751.10	1,817.22	5,184.45	
	(v) Lease Rentals payable as per C. Agreement	430	448	471	1,349.41	430.30	623.75	564.17	1,618.22	
	(vi) Insurance	106	151	190	446.72	105.60	107.39	110.38	323.37	
	(vii) Other expenses	52	55	58	165.55	51.90	51.37	57.80	161.07	
	Total (i to vii)	**9,786**	**9,040**	**10,158**	**28,984.13**	**9,904.93**	**12,931.55**	**15,537.92**	**38,374.40**	32.40%
III	Depreciation	1,854	2,671	3,356	7,880.87	1,854.45	1,155.45	1,752.95	4,762.85	-39.56%
IV	Overheads									
	(i) Management & Administration overheads	1,131	1,198	1,270	3,599.06	1,043.20	901.20	1,228.34	3,172.74	
	(ii) General Overheads	263	279	295	836.97	254.20	405.05	524.65	1,183.90	
	(iii) Preliminary expenses & Upfront Payment write-off	37	37	37	111.09	96.00	96.00	96.00	288.00	
	Total (i to iii)	**1,430**	**1,514**	**1,603**	**4,547.12**	**1,393.40**	**1,402.25**	**1,848.99**	**4,644.64**	
V	Operating Surplus / (Deficit) (I) – (II) – (III) - (IV)	**7,097**	**1,873**	**(323)**	**8,647.54**	**7,015**	**6,316**	**5,032**	**18,362.58**	112.34%
VI	Finance & Miscellaneous Income (FMI)									
	(i) Profit on sale of assets.	287.50	-	-	287.50	164.00	109.38	219.53	492.91	
	(ii) Other Operating Income	0.20	-	-	0.20	287.80	793.78	168.37	1,249.95	
	(iii) Others (Credit of return from security deposit)	0.63	0.70	0.78	2.12	0.63	0.70	0.78	2.11	
	Total (i to v)	**288.33**	**0.70**	**0.78**	**289.82**	**452.43**	**903.86**	**388.68**	**1,744.97**	
VII	**Finance & Miscellaneous Expenses (FME)**									
	(i) Bank charges	-	-	-		23.00	12.53	9.13	44.66	
	Total (i to iv)	**-**	**-**	**-**		**23.00**	**12.53**	**9.13**	**44.66**	
VIII	**FMI Less FME (VI) - (VII)**	**288.33**	**0.70**	**0.78**	**289.82**	**429.43**	**891.33**	**379.55**	**1,700.31**	486.69%
IX	**Surplus Before Interest and Tax (V)+(VIII)**	**7,385**	**1,874**	**(322)**	**8,937.35**	**7,444.70**	**7,207.00**	**5,411.19**	**20,062.89**	124.48%
X	Capital Employed	**13,791**	**23,638**	**23,782**	20,403.38	14,116.85	21,340.10	20,213.95	18,556.97	-9.05%
XI	RoCE - Maximum permissible @ 16%	2,206	3,782	3,805	9,793.62	2,258.70	3,414.42	3,234.23	8,907.35	-9.05%
XII	Capacity Utilization	170.60%	93.60%	100.27%		170.40%	121.73%	147.07%		
XIII	RoCE adjusted for capacity utilization	**2,206**	**3,782**	**3,805**	9,793.62	**2,258.70**	**3,414.42**	**3,234.23**	8,907.35	-9.05%
XIV	**Net Surplus / (Deficit) (IX) - (XIII)**	**5,179**	**(1,908)**	**(4,127)**	**(856.27)**	**5,186.00**	**3,792.58**	**2,176.96**	**11,155.54**	
XV	**Net Surplus / (Deficit) as a % of operating income (XIV/I in %)**	25.68%	-12.64%	-27.90%	(0.02)	25.71%	17.39%	9.01%	16.87%	
XVI	**Adjustment of additional past surplus**									
	(a) 50% of the net additional surplus accrued in the past three years 2010-11 to 2012-13 considered for adjustment over five years period beginnning from 2014-15 (February 2015) following the AG's opinion.	-	91.44	548.64	640.08					
	(b) .Impact of operating cost and ROCE allowed in the last tariff Order with reference to the additions to the gross block of assets relating to in-motion wagon system, single rail line along with related assets which should have been in place by 31 March 2012 but not deployed by the SWPL. Hence considered for 100% adjustment over five years beginning from 2014-15 (February 2015) and 2015-16 in the current cycle and balance to be adjusted in the subsequent tariff cycle. [In January 2015 Order this Surplus was adjusted in the years 2014-15 and 2015-16]	-	29.60	177.60	207.20					
	(c). 100% Actual surplus for the year 2013-14 set off in 2014-15 and 2015-16	(5,179)	2,589	2,589						
XVII	Net Surplus / (Deficit) after adjustment of past Surplus	-	802.36	(811.30)	(8.94)	5,186.00	3,792.58	2,176.96	11,155.54	
XVIII	Net surplus / (Deficit) as % Operating Income.	0.00%	5.3%	-5.5%		25.71%	17.39%	9.01%		
XIX	Average net surplus/deficit in % Operating Income (TAMP Estimates for the years 2014-15 & 2015-16) (Actuals for 2013-04 to 2015-16)		**-0.1%**				**17.4%**			

Annex- II (a)

SOUTH WEST PORT LIMITED

Consolidated Income & Cost statement

(Rs. In Lakhs)

Sr. No.	Particulars	Actuals			Estimated by SWPL at existing tariff			Estimates of SWPL modified by		
		2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2016-17	2017-18	2018-19
					Estimates	Estimates	Estimates	Estimates	Estimates	Estimates
	Traffic (In MMTPA)	8.52	9.13	11.03	7.50	7.50	7.50	7.50	7.50	7.50
	Capacity (in MMTPA)	5.00	7.50	7.50	7.00	7.00	7.00	7.00	7.00	7.00
I	**Total Operating Income**									
	(i) Cargo handling income	12,336.87	13,367.13	13,890.95	10,046.00	10,046.00	10,046.00	10,046.00	10,046.00	10,046.00
	(ii) Vessel related income	7,831.18	8,437.79	10,280.55	5,529.90	5,540.20	5,551.00	6,382.31	6,367.03	6,355.59
	(iii) Other Income	-	-	-	-	-	-	-	-	-
	Total (i to iii)	**20,168.05**	**21,804.92**	**24,171.50**	**15,575.90**	**15,586.20**	**15,597.00**	**16,428.31**	**16,413.03**	**16,401.59**
II	**Operating Costs (excluding depreciation)**									
	(i) Cargo handling expenses	6,249.10	8,664.22	10,884.37	7,497.00	7,871.90	8,265.40	7,596.23	7,976.04	8,374.84
	(ii) Equipment Running Costs	1,451.90	1,733.72	2,103.98	1,878.85	1,937.70	2,187.71	1,907.31	2,038.33	2,124.87
	(iii) Maintanence dredging	-	-	-	500.00	350.00	350.00	-	-	-
	(iv) Royalty / revenue share	1,616.13	1,751.10	1,817.22	1,316.00	1,316.00	1,316.00	1,316.03	1,316.03	1,316.03
	(v) Lease Rentals payable as per C. Agreement	430.30	623.75	564.17	592.40	622.00	653.10	613.30	643.20	675.36
	(vi) Insurance	105.60	107.39	110.38	111.90	157.50	173.00	152.05	165.29	181.48
	(vii) Other expenses	51.90	51.37	57.80	59.20	59.20	59.20	59.22	60.68	62.17
	Total (i to vii)	**9,904.93**	**12,931.55**	**15,537.92**	**11,955.35**	**12,314.20**	**13,004.41**	**11,644.14**	**12,199.57**	**12,734.75**
III	**Depreciation**	**1,854.45**	**1,155.45**	**1,752.95**	**1,745.00**	**2,386.80**	**2,610.50**	**2,343.15**	**2,421.35**	**2,594.25**
IV	**Overheads**									
	(i) Management & Administration overheads	1,043.20	901.20	1,228.34	1,428.20	1,540.30	1,661.40	1,258.56	1,289.52	1,321.24
	(ii) General Overheads	254.20	405.05	524.65	537.50	550.80	564.30	537.56	550.78	564.33
	(iii) Preliminary expenses & Upfront Payment write-off	96.00	96.00	96.00	96.00	96.00	96.00	37.03	37.03	37.03
	Total (IV(i to iii))	**1,393.40**	**1,402.25**	**1,848.99**	**2,061.70**	**2,187.10**	**2,321.70**	**1,833.15**	**1,877.33**	**1,922.60**
V	Operating Surplus / (Deficit) (I) – (II) – (III) - (IV)	**7,015.27**	**6,315.67**	**5,031.64**	**(186.15)**	**(1,301.90)**	**(2,339.61)**	**607.87**	**(85.22)**	**(850.01)**
VI	**Finance & Miscellaneous Income (FMI)**									
	(i) Profit on sale of assets.	164.00	109.38	219.53	-	-	-	-	-	-
	(ii) Others	287.80	793.78	168.37	592.40	622.00	653.20	99.80	99.80	99.80
	(iii) Others (Credit of retrun from security deposit)	0.63	0.70	0.78	-	-	-	0.87	0.96	1.07
	Total (i to v)	**452.43**	**903.86**	**388.68**	**592.40**	**622.00**	**653.20**	**100.67**	**100.76**	**100.87**
VII	**Finance & Miscellaneous Expenses (FME)**									
	(i) Bank charges	23.00	12.53	9.13	9.60	10.00	10.60	9.60	10.10	10.60
	Total (i to iv)	**23.00**	**12.53**	**9.13**	**9.60**	**10.00**	**10.60**	**9.60**	**10.10**	**10.60**
VIII	**FMI Less FME (VI) - (VII)**	**429.43**	**891.33**	**379.55**	**582.80**	**612.00**	**642.60**	**91.07**	**90.66**	**90.27**
IX	**Surplus Before Interest and Tax (V)+(VIII)**	7,444.70	7,207.00	5,411.19	396.65	(689.89)	(1,697.01)	698.94	5.44	(759.74)
X	**Capital Employed**	**14,116.85**	**21,340.10**	**20,213.95**	**32,595.00**	**36,504.20**	**36,489.10**	**30,181.10**	**32,489.75**	**32,395.50**
XI	RoCE - Maximum permissible @ 16%	2,258.70	3,414.42	3,234.23	5,215.20	5,840.67	5,838.26	4,828.98	5,198.36	5,183.28
XII	Capacity Utilization	170%	122%	147%	107%	107%	107%	107%	107%	107%
XIII	**RoCE adjusted for capacity utilization**	**2,258.70**	**3,414.42**	**3,234.23**	**5,215.20**	**5,840.67**	**5,838.26**	**4,828.98**	**5,198.36**	**5,183.28**
XIV	**Net Surplus / (Deficit) (IX) - (XIII)**	**5,186.00**	**3,792.58**	**2,176.96**	**(4,818.55)**	**(6,530.56)**	**(7,535.27)**	**(4,130.04)**	**(5,192.92)**	**(5,943.02)**
XV	**Net Surplus / (Deficit) as a % of operating income (XIV/I in %)**	25.71%	17.39%	9.01%	-30.94%	-41.90%	-48.31%	-25.14%	-31.64%	-36.23%
XVI	40% of the net additional surplus accrued in the past three years (2013-14 to 2015-16)			4,767.82				1,589.28	1,589.27	1,589.27
XVII	(a) 50% of the net additional surplus accrued in the past three years 2010-11 to 2012-13 considered for adjustment over five years period beginnning from 2014-15 (February 2015) following the AG's opinion.			2,743.20				701.04	701.04	701.04
	(b) .Impact of operating cost and ROCE allowed in the last tariff Order with reference to the additions to the gross block of assets relating to in-motion wagon system, single rail line along with related assets which should have been in place by 31 March 2012 but not deployed by the SWPL. Hence considered for 100% adjustment over five years beginning from 2014-15 (February 2015) and 2015-16 in the current cycle and balance to be adjusted in the subsequent tariff cycle. [In January 2015 Order this Surplus was adjusted in the years 2014-15 and 2015-16]			888.00				226.93	226.93	226.93
XVIII	**Net Surplus / (Deficit) after adjustment of past Surplus**				**(4,818.55)**	**(6,530.56)**	**(7,535.27)**	**(1,612.79)**	**(2,675.68)**	**(3,425.78)**
XIX	Net surplus / (Deficit) as % Operating Income.				-30.94%	-41.90%	-48.31%	-9.82%	-16.30%	-20.89%
XX	Average net surplus/deficit in % Operating Income					**-40.4%**			**-15.7%**	

Annex- II (b)

SOUTH WEST PORT LIMITED

Cost statement for Cargo handling activity

(Rs. In Lakhs)

Sr. No.	Particulars	Actuals			Estimated by SWPL at existing			Estimates of SWPL modified by		
		2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2016-17	2017-18	2018-19
					Estimates	Estimates	Estimates	Actuals	Estimates	Estimates
	Traffic (In MMTPA)	8.52	9.13	11.03	7.50	7.50	7.50	7.50	7.50	7.50
	Capacity (in MMTPA)	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00
I	**Total Operating Income**									
(i)	Handling Charges	9437.67	10203.88	10658.87	7752.00	7752.00	7752.00	7752.00	7752.00	7752.00
(ii)	Wharfage	2596.92	2801.71	2910.25	2194.00	2194.00	2194.00	2194.00	2194.00	2194.00
(iii)	Storage including demurrage	302.28	361.54	321.83	100.00	100.00	100.00	100.00	100.00	100.00
	Total (i to iii)	**12336.87**	**13367.13**	**13890.95**	**10046.00**	**10046.00**	**10046.00**	**10046.00**	**10046.00**	**10046.00**
II	**Operating Costs (excluding depreciation)**									
(i)	Cargo handling expenses	5986.90	8300.69	10427.68	4770.80	5009.40	5259.80	7277.51	7641.38	8023.45
(ii)	Equipment Running Costs	1286.33	1536.02	1864.05	1252.60	1291.80	1458.40	1689.81	1805.89	1882.56
(iii)	Maintanence dredging	0.00	0.00	0.00	300.00	210.00	210.00	0.00	0.00	0.00
(iv)	Royalty / revenue share	1616.13	1751.10	1817.22	1316.00	1316.00	1316.00	1316.03	1316.03	1316.03
(v)	Lease Rentals payable as per C. Agreement	171.43	248.51	224.77	592.40	622.00	653.10	244.34	256.25	269.07
(vi)	Insurance	67.50	68.64	70.56	67.10	94.50	103.80	97.19	105.65	116.00
(vii)	Other expenses	51.90	51.37	57.80	35.50	35.50	35.50	59.22	60.68	62.17
	Total (i to vii)	**9180.19**	**11956.33**	**14462.08**	**8334.40**	**8579.20**	**9036.60**	**10684.10**	**11185.88**	**11669.28**
III	**Depreciation**	**1283.85**	**601.95**	**897.95**	**896.60**	**1488.40**	**1712.00**	**1463.15**	**1516.35**	**1689.25**
IV	**Overheads**									
(i)	Management & Administration overheads	775.60	670.03	913.25	856.90	924.20	996.80	935.72	958.74	982.32
(ii)	General Overheads	189.02	153.18	390.13	322.50	330.50	338.60	399.73	409.56	419.63
(iii)	Preliminary expenses & Upfront Payment write-off	37.03	37.03	37.03	57.60	57.60	57.60	37.03	37.03	37.03
	Total (i to iii)	**1001.65**	**860.24**	**1340.41**	**1237.00**	**1312.30**	**1393.00**	**1372.48**	**1405.33**	**1438.98**
					0.00	0.00	0.00			
V	Operating Surplus / (Deficit) (I) – (II) – (III) - (IV)	**871.18**	**-51.39**	**-2809.49**	**-422.00**	**-1333.90**	**-2095.60**	**-3473.73**	**-4061.56**	**-4751.51**
VI	**Allocated share of Finance & Misc. Income**									
(i)	Profit on sale of assets.	164.00	109.38	219.53	0.00	0.00	0.00	0.00	0.00	0.00
(ii)	Others	0.00	0.00	0.00	296.20	311.00	326.60	99.80	99.80	99.80
(iii)	Others (Credit of retrun from security deposit)	0.63	0.70	0.78	0.00	0.00	0.00	0.87	0.96	1.07
	Total (i to v)	**164.63**	**110.08**	**220.31**	**296.20**	**311.00**	**326.60**	**100.67**	**100.76**	**100.87**
VII	**Allocated share of Finance & Misc. Expenses**									
(i)	Bank charges	17.25	9.40	6.85	4.80	5.00	5.30	7.20	7.58	7.95
	Total (i to iv)	**17.25**	**9.40**	**6.85**	**4.80**	**5.00**	**5.30**	**7.20**	**7.58**	**7.95**
					0.00	0.00	0.00			
VIII	**FMI Less FME (VI) - (VII)**	**147.38**	**100.68**	**213.46**	**291.40**	**306.00**	**321.30**	**93.47**	**93.18**	**92.92**
					0.00	0.00	0.00			
IX	**Surplus Before Interest and Tax (V)+(VIII)**	1018.56	49.29	-2596.03	-130.60	-1027.90	-1774.30	-3380.26	-3968.38	-4658.59
					0.00	0.00	0.00			
X	Capital Employed	**6005.15**	**9235.25**	**8665.90**	20035.00	25026.10	25936.10	**18513.05**	**21726.70**	**22537.45**
XI	RoCE - Maximum permissible @ 16%	960.82	1477.64	1386.54	3005.25	3753.92	3890.42	2962.09	3476.27	3605.99
XII	Capacity Utilization	121.71%	130.43%	157.57%	107.14%	107.14%	107.14%	107.14%	107.14%	107.14%
XIII	RoCE adjusted for capacity utilization	**960.82**	**1477.64**	**1386.54**	**3005.25**	**3753.92**	**3890.42**	**2962.09**	**3476.27**	**3605.99**
XIV	**Net Surplus / (Deficit) (IX) - (XIII)**	**57.74**	**-1428.35**	**-3982.57**	**-3135.85**	**-4781.82**	**-5664.72**	**(6,342.35)**	**(7,444.65)**	**(8,264.58)**
XV	**Net Surplus / (Deficit) as a % of operating income (XIV/I in %)**	15.04%	24.56%	14.85%	-31.21%	-47.60%	-56.39%	-63.13%	-74.11%	-82.27%
XVII	40% of the net additional surplus accrued in the past three years 2013-14 to 2015-16		4291.04					1430.35	1430.35	1430.34
	(a) 50% of the net additional surplus accrued in the past three years 2010-11 to 2012-13 considered for adjustment over five years period beginnning from 2014-15 (February 2015) following the AG's opinion.							630.94	630.94	630.94
	(b) .Impact of operating cost and ROCE allowed in the last tariff Order with reference to the additions to the gross block of assets relating to in-motion wagon system, single rail line along with related assets which should have been in place by 31 March 2012 but not deployed by the SWPL. Hence considered for 100% adjustment over five years beginning from 2014-15 (February 2015) and 2015-16 in the current cycle and balance to be adjusted in the subsequent tariff cycle. [In January 2015 Order this Surplus was adjusted in the years 2014-15 and 2015-16]							204.24	204.24	204.24
XIX	Net Surplus / (Deficit) after adjustment of past Surplus	0.00	0.00	0.00	-3135.85	-4781.82	-5664.72	**(4,076.82)**	**(5,179.12)**	**(5,999.06)**
XX	Net surplus / (Deficit) as % Operating Income.				-31%	-48%	-56%	-40.58%	-51.55%	-59.72%
XXI	Average net surplus/deficit in % Operating Income					**-45%**			**-50.62%**	

Annex- II (c)

SOUTH WEST PORT LIMITED

Cost statement for Berthing related activity

(Rs. In Lakhs)

Sr. No.	Particulars	Actuals			As Estimated by SWPL at existing			Estimates of SWPL modified by		
		2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2016-17	2017-18	2018-19
					Estimates	Estimates	Estimates	Actuals	Estimates	Estimates
	Traffic (In MMTPA)	8.52	9.13	11.03	7.50	7.50	7.50	7.50	7.50	7.50
	Capacity (in MMTPA)	5.00	7.50	7.50	7.00	7.00	7.00	7.00	7.00	7.00
I	**Total Operating Income**									
(i)	Vessel related income	7831.18	8437.79	10280.55	5529.90	5540.20	5551.00	6382.31	6367.03	6355.59
	Total (i to iii)	**7831.18**	**8437.79**	**10280.55**	**5529.90**	**5540.20**	**5551.00**	**6382.31**	**6367.03**	**6355.59**
II	**Operating Costs (excluding depreciation)**									
(i)	Cargo handling expenses	262.20	363.53	456.69	2726.20	2862.50	3005.60	318.72	334.66	351.39
(ii)	Equipment Running Costs	165.57	197.70	239.93	626.25	645.90	729.20	217.50	232.44	242.31
(iii)	Maintanence dredging	0.00	0.00	0.00	200.00	140.00	140.00	0.00	0.00	0.00
(iv)	Royalty / revenue share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
(v)	Lease Rentals payable as per C. Agreement	258.87	375.24	339.40	0.00	0.00	0.00	368.96	386.95	406.29
(vi)	Insurance	38.10	38.75	39.82	44.80	63.00	69.20	54.86	59.64	65.48
(vii)	Other expenses	0.00	0.00	0.00	23.70	23.70	23.70	0.00	0.00	0.00
	Total (i to vii)	**724.74**	**975.22**	**1075.84**	**3620.95**	**3735.10**	**3967.70**	**960.04**	**1013.69**	**1065.47**
III	Depreciation	570.60	553.50	855.00	836.40	848.40	898.40	880.00	905.00	905.00
IV	Overheads									
(i)	Management & Administration overheads	267.60	231.17	315.09	571.30	616.10	664.60	322.84	330.78	338.92
(ii)	General Overheads	65.18	52.82	134.52	215.00	220.30	225.70	137.83	141.22	144.70
(iii)	Preliminary expenses & Upfront Payment write-off	0.00	0.00	0.00	38.40	38.40	38.40	0.00	0.00	0.00
	Total (i to iii)	**332.78**	**283.99**	**449.61**	**824.70**	**874.80**	**928.70**	**460.67**	**472.00**	**483.62**
					0.00	0.00	0.00			
V	Operating Surplus / (Deficit) (I) – (II) – (III) - (IV)	**6203.06**	**6625.08**	**7900.10**	**247.85**	**81.90**	**-243.80**	**4081.60**	**3976.34**	**3901.50**
VI	**Allocated share of Finance & Misc. Income**									
(i)	Profit on sale of assets.							0.00	0.00	0.00
(ii)	Others	0.00	0.00	0.00	296.20	311.00	326.60	0.00	0.00	0.00
(iii)	Others (Credit of retrun from security deposit)	0.00	0.00	0.00	-	-	-	0.00	0.00	0.00
	Total (i to v)	**0.00**	**0.00**	**0.00**	**296.20**	**311.00**	**326.60**	**0.00**	**0.00**	**0.00**
VII	**Allocated share of Finance & Misc. Expenses**									
(i)	Bank charges	5.75	3.13	6.85	4.80	5.00	5.30	2.40	2.52	2.65
	Total (i to iv)	**5.75**	**3.13**	**6.85**	**4.80**	**5.00**	**5.30**	**2.40**	**2.52**	**2.65**
VIII	**FMI Less FME (VI) - (VII)**	**-5.75**	**-3.13**	**-6.85**	**291.40**	**306.00**	**321.30**	**-2.40**	**-2.52**	**-2.65**
IX	**Surplus Before Interest and Tax (V)+(VIII)**	6197.31	6621.95	7893.25	539.25	387.90	77.50	4079.20	3973.82	3898.85
X	**Capital Employed**	**8111.70**	**12104.85**	**11548.05**	**12560.00**	**11478.10**	**10553.00**	**11668.05**	**10763.05**	**9858.05**
XI	RoCE - Maximum permissible @ 16%	1297.87	1936.78	1847.69	1884.00	1721.72	1582.95	1866.89	1722.09	1577.29
XII	Capacity Utilization	1.70	1.22	1.47	1.07	1.07	1.07	1.07	1.07	1.07
XIII	RoCE adjusted for capacity utilization	**1297.87**	**1936.78**	**1847.69**	**1884.00**	**1721.72**	**1582.95**	**1866.89**	**1722.09**	**1577.29**
XIV	**Net Surplus / (Deficit) (IX) - (XIII)**	**4899.44**	**4685.17**	**6045.56**	**-1344.75**	**-1333.81**	**-1505.45**	**2212.31**	**2251.73**	**2321.56**
XV	**Net Surplus / (Deficit) as a % of operating income (XIV/I in %)**	62.56%	55.53%	58.81%	-24.32%	-24.08%	-27.12%	34.66%	35.37%	36.53%
XVII	40% of the net additional surplus accrued in the past three years 2013-14 to 2015-16		476.78					158.93	158.93	158.92
	(a) 50% of the net additional surplus accrued in the past three years 2010-11 to 2012-13 considered for adjustment over five years period beginnning from 2014-15 (February 2015) following the AG's opinion.							70.10	70.10	70.10
	(b) .Impact of operating cost and ROCE allowed in the last tariff Order with reference to the additions to the gross block of assets relating to in-motion wagon system, single rail line along with related assets which should have been in place by 31 March 2012 but not deployed by the SWPL. Hence considered for 100% adjustment over five years beginning from 2014-15 (February 2015) and 2015-16 in the current cycle and balance to be adjusted in the subsequent tariff cycle. [In January 2015 Order this Surplus was adjusted in the years 2014-15 and 2015-16]							22.69	22.69	22.69
XIX	Net Surplus / (Deficit) after adjustment of past Surplus	0.00	0.00	0.00	-1344.75	-1333.81	-1505.45	2464.03	2503.45	2573.27
XX	Net surplus / (Deficit) as % Operating Income.				-24%	-24%	-27%	38.61%	39.32%	40.49%
XXI	Average net surplus/deficit in % Operating Income					**-25.2%**			**39.47%**	

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

F.No. TAMP/40/2016-SWPL - **Proposal received from the South West Port Limited (SWPL) for revision of its Scale of Rates for Berth 5A and 6A in the Mormugao Port Trust.**

A summary of the comments received from the users/ user organizations and reply furnished by South West Port Limited (SWPL) thereon is tabulated below:

<table>
<tr><th>Sl. No.</th><th>Comments of the users / user organisations</th><th>Comments furnished by SWPL</th></tr>
<tr><td>1.</td><td>Mormugao Port Trust (MOPT)</td><td></td></tr>
<tr><td>(i).</td><td>There is a major disparity in the expenditure incurred and apportioned for the calculation of Cargo Related Charges (CRC) and Vessel Related Charges (VRC). This has resulted in a disproportionate surplus for the VRC activity as against the CRC. It is pertinent to mention that vessel related activity (berth hire charges) does not come under the revenue share with the Port.

The detailed justifications to substantiate the above is given hereunder:
(i). From the actual figures of 2015-16, the following is noted:
<table>
<tr><th>₹. in Million</th><th>Cargo Handling Activity</th><th>Vessel Related Activity</th><th>% of VRC of CRC</th></tr>
<tr><td>Operating Income</td><td>1387.19</td><td>1028.06</td><td>74.11%</td></tr>
<tr><td>Direct Operating Expenditure</td><td>1087.45</td><td>55.73</td><td>5.12%</td></tr>
<tr><td>% of Op. Expenses to Op. Income</td><td>78.39%</td><td>5.42%</td><td></td></tr>
<tr><td>Allocated Overheads</td><td>10.13</td><td>32.22</td><td>318.07%</td></tr>
<tr><td>Operating Expenditure (incl. Depr. & Overheads)</td><td>11.06.84</td><td>96.31</td><td>8.70%</td></tr>
<tr><td>Operating Surplus</td><td>280.35</td><td>931.75</td><td>332.35%</td></tr>
<tr><td>Net Surplus</td><td>214.26</td><td>790.96</td><td>369.16%</td></tr>
<tr><td>Net Surplus as a % of Operating Income</td><td>15.45%</td><td>76.94%</td><td>498.12%</td></tr>
</table>

It is seen that the operating ratio of CRC and VRC is 78.39% and 5.42% respectively. Also the VRC expenditure is 5.12% of the CRC expenditure whereas the income is 74.11%. It is also seen that the Overheads allocated to VRC is 318.07% of the overheads allocated to CRC.</td><td>There will be always a disparity between Vessel Related Charges (VRC) and Cargo Related charges (CRC) both on revenue side and expense side.

Our submission is logical based on how much revenue is generated by each activity. Even Tariff guidelines provide for such methodology and further permits cross subsidization as long as overall increase in tariff is capped to allow 16% Return on Net Capital Employed.</td></tr>
</table>

	This has resulted in the Net Surplus as a % of operating income of VRC being almost 5 times that of the CRC activity. It is pertinent to note that the SWPL PPP contract has a revenue share only on cargo handling charges and not on Berth Hire Charges as opposed to the revenue share models of Berth Nos. 7, 8 and 9 where the revenue share is on cargo handling as well as berth hire charges. The above figures clearly indicate that the incomes and expenditures are clearly skewed in favour of the VRC activity resulting in a loss of revenue share to the Port and windfall gains to M/s. SWPL. The same trend is continued for the projections for 2016-17 to 2018-19 also. Therefore, the allocation of expenditure to both the activities needs to be reviewed.	
(ii).	As per the established costing principles, the management and other overheads are allocated on the direct costs. However, in the case of the SWPL proposal, the overheads have not been allocated on the basis of direct costs. Therefore, the Authority is requested to review the allocations made by SWPL.	MOPT seems to be more keen on increasing their Revenue Share through increase in CRC as SWPL pays royalty of 18% on cargo related services exclusive of berth hire. This as per the License Agreement dated April 11, 1999 (much before the TAMP regime) and never contested by either party till date.
(iii).	As per form 5C, vessel related activity is in surplus to the extent of 77% of the operating income even after allocating a major share of the overheads. This clearly indicates that the vessel related activity is in huge surplus vis-à-vis the cargo related activity. Though the guidelines provide for cross subsidisation, the tariff has to be at reasonable levels for both the activities considering the fact that Royalty is not shared on the vessel related income.	If MOPT's argument is considered and CRC is increased beyond proposed 30%, then SWPL is entitled to increase its cost by 13.1% (royalty as pass through in SWPL case), which will further trigger additional revenue in overall tariff approval.
(iv).	It is observed that the actual no. of vessels handled in FY 2015-16 is shown as NIL for vessels above 60,000 GRT whereas 7 vessels above 60,000 GRT have actually been handled in FY 2015-16 as per port records with the highest GRT being 93,186 (E R Borneo). Similarly, projected no. of vessels to be handled in FY 2016-17 onwards is shown as NIL whereas SWPL has already handled 7 vessels above 60,000 GRT in FY 2016-17 (Upto 19.08.2016). It is also observed that the no. of coastal vessels to be handled in FY 2016-17 onwards is projected at 6 times that of FY 2015-16 whereas the coastal traffic the same trend is maintained for the current period.	Now, when berth hire of other terminals are compared, then sea freight is also to be compared same time. Sea freight consists of Sea Passage and Port Costs related to vessels (VRC) and Vessel Agency Charges. SWPL is still a preferred terminal as it helps the customers to optimize their Total Logistics Cost (TLC) (from Mine to Plant), and provides all requisite support for this purpose. Besides above, even today customers prefer SWPL and are willing to pay even higher VRC due to the following reasons: i. Higher Cargo parcel size. ii. Discharge rate at berths. iii. Ability to service larger vessels like panama, post panama and partly loaded capes. iv. Minimum delay between berthing and commencement of cargo discharge.

		v. Minimum cargo losses during operation. vi. Fast and cleaner evacuation from the port. All above results in overall reduction of TLC.
(v).	It is also informed that the Port has undertaken capital dredging of the Port channel as also approaches to berth nos. 5 and 6 which will enable handling of foreign going capesize vessels at berth nos. 5 and 6 with average GRT of 1,85,000, the share of which would be 90% to the total GRT handled at berth nos. 5 and 6. The same has not been factored into the projections.	Bringing cape vessels is in the hands of the customers, MOPT has still not taken out any circular w.r.t. when they will be able to accept fully loaded cape vessels for round the year operations. Understand that their efforts for cape dredging till date have not fructified and DCI has failed them. Hence, handling of fully loaded cape vessels is quite uncertain. We fear that in near further cape vessels may not call at MOPT as freight advantage between cape vessels and panama vessels is reduced to USD 1.5 pmt. MOPT has proposed to put dredging levy of cape vessels – ₹158/GRT (approximately ₹88/MT) which will wipe out all advantages as higher parcel size call for blocking of higher capital for purchase of raw material and transportation. Even if, cape vessels call at SWPL Berth in next 3 financial year and revenue earned is higher than the projected, then same can be treated as per the TAMP guidelines in the next tariff proposal.
(vi).	The direct operating expenses for 2015-16 for the VRC activity are shown as ₹5.57 crores whereas the same for 2016-17 are projected at ₹35.25 crores. However, the projected operating expenses for the CRC activity are shown to be reducing drastically vis-à-vis actuals of 2015-16. The reason and details of the same needs to be reviewed.	Further, if we increase the CRC, additional 13.1% royalty to the port will have to be allowed as cost which will result in further increase in tariff. If this increase is proposed, due to the higher tariff cargo owners may switch to other competing ports.
(vii).	The operating income for 2015-16 for the VRC activity is shown as ₹102.81 crores whereas the same for 2016-17 is projected at ₹55.30 crores. The detailed workings including the no. of vessels and the average GRT assumed may be reviewed.	
(viii).	The percentage increase of Actuals vis-à-vis Estimations under the VRC activity for 2013-14, 2014-15 and 2015-16 was 83%, 84% and 109% respectively. The guidelines stipulate that if performance variation of more than +/-20% is observed, then 50% of the benefit / loss already accrued will be set off while revising the tariff. Due to the substantial gains made by M/s. SWPL in the VRC activity where there is no revenue share to the Port, the port has lost valuable revenue.	No comments furnished

<table>
<tr><td></td><td>Hence, the Authority is requested to correct the imbalance between the CRC and VRC revenues and expenditures so that the Port and SWPL both benefit and not just SWPL.</td><td></td></tr>
<tr><td>(ix).</td><td>The details of the capital employed from 2016-17 to 2018-19 for the VRC activity are not available. The same may be scrutinised by the Authority.</td><td>Capex Plan of SWPL:
a. Grab Slip Unloader – ₹128 crore (installed in June 2016).
b. Extension of conveying system at berth, modification in stacker and reclaimers and other miscellaneous equipment – ₹10 crore (FY 2016-17).
c. Conveying system refurbishment (more than 11 years old system) – ₹47.3 crore (FY 2017-18).
d. Capital dredging in front of berths, equipment replacement and other major R&M – ₹25 crore (FY 2018-19).</td></tr>
<tr><td>(x).</td><td>The traffic for the years 2016-17 to 2018-19 is projected at 7.5 million tonnes by SWPL. However, the terminal has handled 11.03 million tonnes in the year 2015-16, the projections made by M/s. SWPL are on the lesser side. The lower projections have been taken due to the uncertainty over coal handling due to the Goa State Pollution Control Board (GSPCB) directives. Therefore, considering the order of GSPCB, the traffic estimates are reasonable.</td><td>No comments furnished</td></tr>
<tr><td>(xi).</td><td></td><td></td></tr>
<tr><td>(a).</td><td>The cargo handling charges at M/s. Adani Terminal is ₹247.20/- per tonne. Similarly, upfront tariff fixed for Berth No. 8 is ₹248.10/- per tonne. In comparison, the existing rate of M/s. SWPL is ₹130.70/- and even after the proposed increase would ₹169.91/- which is about 30% lesser than the charges of M/s. Adani Terminal as well as Berth No.8 and 9. Conversely the proposed berth hire charges of M/s. SWPL berth are substantially higher than berth hire charges of M/s. Adani Terminal and Berth No.8 and 9 charges. The Berth Hire charges of M/s. Adani Terminal and Berth No. 8 and 9 are ₹0.66 and ₹0.84 per GRT per Hour respectively as compared to ₹2.55 proposed by M/s. SWPL which is an increase of 286% and 204% over the M/s. Adani Terminal and Berth No. 8 and 9 rates respectively and all this inspite of the berth construction costs of M/s. Adani Terminal and Berth No.8 and 9 being significantly higher than that incurred by SWPL. The comparison of SWPL rates vis-à-vis the other PPP operations is shown here below:
<table>
<tr><th></th><th>Berth No.7 (Adani)</th><th>Berth No.8/9 (Sterlite)</th><th>SWPL (Existing)</th><th>SWPL (Proposed)</th></tr>
<tr><td>Cargo Handling Charges (Per Tonne)</td><td>247.20</td><td>248.10</td><td>130.70</td><td>169.91</td></tr>
<tr><td>Vessel Related Charges (US $ Per GRT per Hour)</td><td></td><td></td><td>0.0325</td><td>0.0380</td></tr>
</table></td><td>No comments furnished</td></tr>
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<td></td>
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<table>
<tr><td>Vessel Related Charges (₹. Per GRT per Hour)</td><td>0.66</td><td>0.84</td><td>2.18</td><td>2.55</td></tr>
</table>

Note : The US $ Exchange Rate is assumed as ₹67/-.

From the above table it is seen that the CRC of SWPL are disproportionately lower and the VRC are disproportionately higher as compared to the other PPP operators denying a level playing field to the other operators.
</td>
<td></td>
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<tr>
<td>(b).</td>
<td>Even though SWPL handled 11.03 million tons for the year 2015-16, the expected traffic for the next three years may be assumed as 7.5 million tons in view of the restrictions imposed by the Goa State Pollution Control Board. Therefore, the revenue accrual and the related calculations may be based on the assumption of the 7.5 million tons per annum.

Hence, the Authority is requested to examine the reasonableness of the proposal submitted by SWPL while revising the tariff to avoid any possible loss of revenue to the Port on royalty payments.</td>
<td>No comments furnished</td>
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</table>

2. A joint hearing in this case was held on 22 August 2016 at the MOPT premises. The SWPL made a brief presentation of its proposal. At the joint hearing, the SWPL, MOPT and the concerned users/ user organizations have made the following submissions:

<u>South West Port Limited (SWPL)</u>
(Capt. B.V.J.K. Sharma, President)

(i). Makes a brief power point presentation of its proposal.

(ii). We are trying to improve our performance and efficiency.

(iii). Port has helped to achieve the volume of trade.

(iv). Tariff proposal is for FY 2016-17 to 2018-19. We will be happy if order is passed early.

(v). Railway improvement has been significant. Total 10 to 11 rakes are going every day. Southern Railway has improved Kolam – Castle Rock Section.

(vi). Adani is also demanding for 4 rakes. They are also pushing for more rakes.

(vii). Doubling of railway line was promised. But, nothing much has happened. Doubling of Railway line has now been detoured.

(viii). There is limitation in R & D Yard and in Vasco yard.

(ix). We have been given 25 acres. But, net storage area is 33,000M^2 (around 8 acres). We have limited storage area. Existing deterrent storage charges has helped to see that the storage is used as transit. We have not proposed any increase in storage charge.

(x). GSPCB is collecting the data on pollution which is not scientific. We are receiving letters from GSPCB. There is lot of activism on pollution. We are taking it up with them on pollution matter. That will throw challenge on volume.

(xi). Operation during monsoon is not as free as in fair season.

(xii). Business constraints and operational constraints like rake availability, intra port competition, GSPCB intervention; limitations during monsoon season challenge our cargo volume.

(xiii). We have estimated 5% increase in cargo handling contract, 3.70% increase in power and fuel.

(xiv). We have made huge investment on in-motion wagon loading system and silo. We have created steel coiled storage area. We have imported dust clearing machine. These systems are environment friendly though costly.

(xv). We have replaced Grab Ship Unloaders which is efficient. We have incurred expenditure on wind screen to arrest flow of dusty particles.

(xvi). We have proposed 17% increase in vessel related charges and 30% in cargo handling charges. Status quo is maintained in storage charges.

(xvii). Though we are captive, our terminal does not get any preference, as such. Alternate to our terminal is Krishnapatnam port. Vessels do not keep waiting for berth at our terminal. They shift to Krishnapatnam port if rake is not available.

(xviii). Further, we have competition from Adani and other berths coming up.

(xix). Users have no complaint about our service level.

(xx). If any additional surplus is realized, it will be set off in next cycle as per the Tariff Guidelines of 2005.

<u>Goa Chamber of Commerce and Industry (GCCI)</u>

(i). We have no objection to the proposal.

<u>Mormugao Port Trust (MOPT)</u>
(FA & CAO)

(i). Traffic projection is 7.50 MTPA which is lower than actual traffic handled by SWPL. Even the income projection is on lower side compared to actual income.

(ii). Berth hire charges in SWPL is high. At Adani it is ₹0.66 GRT/ Hour. At berth nos. 8 at 9 which is proposed to be given to PPP operator it is ₹0.894 GRT/ Hour. However, at SWPL the berth hire proposed is ₹2.55 GRT/ Hour.

(iii). Cargo handling charge of SWPL is low compared to Cargo Handling Charges prescribed for coal terminal operated by Adani and at berth nos. 8 and 9.

(iv). To have parity, cargo handling charges of SWPL may be increased and berth hire may be reduced.

[SWPL – President - Client generally sees total landed cost. Vessel charge is part of freight. Because of efficiency of the terminal, vessels are benefitted. Vessel side have no complaints as sea freight is competitive in Goa Port. Client sees total landed cost. Berth hire should not be seen in isolation].

(v). Port has done investment on silo and grab unloader.

<u>Mormugao Port Trust (MOPT)</u>
(Chairman)

(i). We note that SWPL has made good investment.

(ii). We will furnish our comments on the traffic projection of SWPL.

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