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Tariff Authority for Major Ports

G.No. 331 **New Delhi,** **29 August 2018**

NOTIFICATION

In exercise of the powers conferred by Section 48 of the Major Port Trusts Act, 1963 (38 of 1963), the Tariff Authority for Major Ports hereby disposes of the review application filed by Visakha Container Terminal Private Limited (VCTPL) for review of the Order No.TAMP/28/2017-VCTPL dated 14 November 2017 in respect of general revision of Scale of Rates of VCTPL as in the Order appended hereto.

(T.S. Balasubramanian)
Member (Finance)

Tariff Authority for Major Ports

Case No. TAMP/7/2018-VCTPL

Visakha Container Terminal Private Limited ------ Applicant

QUORUM:

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

O R D E R

(Passed on this 31st day of July 2018)

This case relates to review application filed by the Visakha Container Terminal Private Limited (VCTPL) for review of the Order No.TAMP/28/2017-VCTPL dated 14 November 2017 in respect of general revision of Scale of Rates (SOR) of VCTPL.

2.1. This Authority had passed an Order No.TAMP/28/2017-VCTPL dated 14 November 2017 disposing of the proposal received from the VCTPL for general revision of its SOR. The said Order was notified in the Gazette of India on 21 December 2017 vide Gazette No.480 and was forwarded to VCTPL vide our letter dated 27 December 2017.

2.2. The VCTPL in the said general revision proposal had sought a tariff increase of 23.30% in the composite rate for handling of import and export laden containers under 1.1.A (a) of the SOR and status quo on all the other tariff items based on its view that there is competition.

2.3. As against the above proposal of the VCTPL, this Authority in the Order dated 14 November 2017, based on the net surplus reflected by the cost statement and for reasons brought in para 16 (xxxi) of the Order dated 14 November 2017, has decided to maintain status quo in the then existing SOR of VCTPL.

2.4. As stipulated in Clause 3.3.1. of the tariff guidelines of March 2005, application for review of a tariff Order can be entertained provided such an application is filed within 30 days of the notification in the Gazette of India. Referring to the said clause, this Authority in para 16 (xxxi) of the Order had mentioned that the VCTPL has the option to approach this Authority for review of the Order to the extent of error apparent on face of records. The VCTPL Order has been notified on 21 December 2017.

2.5. The VCTPL has filed the review application under cover of its letter dated 18 January 2018, which is well within the prescribed time limit of 30 days.

3.1. With reference to the said tariff Order of 14 November 2017, the VCTPL vide its letter dated 18 January 2018 has filed an application for review of the tariff Order.

3.2. The main points made by VCTPL to reconsider in its Review Application are summarised below:

(I). **Consider total forex loss of INR 18,30,42,316 incurred at the time of repayment of the foreign currency loan in the year 2014-15 and 2016-17 which was disallowed by the Authority in last tariff revision Order dated 14 November 2017:**

(a). VCTPL had obtained Foreign Currency Loan by way of availing Buyers credit for a period of 5 years of USD 18,372,815 (Equivalent INR 98,63,27,717) for payment of the Fixed Assets (i.e. 2 RMQCs, 4 RTGCs, Spreaders, Capital Spares for RMQCs and Capital Spares for RTGCs) purchased during 2011-12 and 2012-13.

(b). As per Accounting Standard (AS) 11, the outstanding foreign currency liabilities are to be translated at the exchange rate prevailing as on 31st

March of the relevant financial year and shown in the books of accounts. The Authority had disallowed the translated forex loss in the previous year (Ref. TAMP Order No.TAMP/31/2015-VCTPL dated 28 April 2016) and again in the current Order No.TAMP/28/2017-VCTPL dated 12 December 2017 (notified in the Official Gazette on 21 December 2017) in which the actual loss incurred was claimed. The Authority had stated that the actual loss is not found in audited Annual Accounts for the years 2014-15 to 2015-16 and in the provisional Annual Accounts of the year 2016-17.

(c). The VCTPL has furnished Table-A showing details of Forex loss, Forex loan and Annual Report reference of Forex loan to long-term borrowing outstanding - Financial year-wise, in which the Foreign currency outstanding loan and corresponding references to the Balance sheet have been shown. The loan outstanding balances as on:

31-3-2013	₹99,86,54,356 (Ref. Note 5, Long-Term Borrowings (a) Acceptances from Bank of Financials of FY 2012-13 – ₹99,86,54,356).
31-3-2014	₹109,79,22,680 (Ref. Note 5, Long-Term Borrowings (a) Acceptances from Bank of Financials of FY 2013-14 – ₹80,64,23,509) and Note 10 Other Current Liabilities – ₹29,14,99,171).
31-3-2015	₹82,23,98,994 (Ref. Note 5, Long-Term Borrowings (a) Acceptances from Bank of Financials of FY 2014-15 – ₹82,23,98,994).
31-3-2016	₹85,33,06,361 (Ref. Note 5, Long-Term Borrowings (a) Acceptances from Bank of Financials of FY 2015-16 – ₹87,24,15,010 Less Hedge cost 1,91,08,650)
31-3-2017	Nil

(d). The corresponding financial year's Balance sheet can be referred under the Schedule "Note 5, Long-Term Borrowings (a) Acceptances from Bank" and "Note 10 Other Current Liabilities". The relevant Balance sheets of relevant years are furnished as Annexure-2.

(e). Following payment of the loan has been made during 2014-15 and payment proof have been furnished:

(i). During 2014-15, the loan amount of USD 48,77,994 (INR 24,13,65,130) was paid by outflow of INR 28,68,74,833. Therefore, the net forex loss for this transaction was INR 4,55,09,703. The payment proof in form of Foreign Bill Transaction Advice issued by Axis Bank is furnished vide Annexure 11B and 11C.

(ii). During 2014-15, the loan amount of USD 3,42,750 (INR 1,66,21,448) was paid by outflow of INR 2,06,78,108. Therefore, the net forex loss for this transaction was INR 40,56,659. The payment proof in form of Foreign Bill Transaction Advice issued by Axis Bank is furnished vide Annexure 11H and 11I.

<u>Therefore, the total Repayment during 2014-15 was INR 30,75,52,941 and net Forex loss incurred was INR 4,95,66,362/-</u>

(f). Following payment of the loan has been made during 2016-17 and payment proof have been furnished:

(i). During 2016-17, the loan amount of USD 1,28,10,634 (INR 71,00,39,650) was paid by outflow of INR 83,11,53,948. Therefore, the net forex loss for this transaction was INR 12,11,14,292. The payment proof in form of Foreign Bill Transaction Advice issued by Axis Bank is furnished vide Annexure 11D, 11E and 11F.

(ii). During 2016-17, the loan amount of USD 1,83,163 (INR 98,54,395) was paid by outflow of INR 1,22,27,019. Therefore, the net forex loss for this transaction was INR 23,72,624. The payment proof in form of Foreign Bill Transaction Advice issued by Axis Bank is furnished vide Annexure 11G.

(iii). During the year 2016-17, the loan amount of USD 1,58,274 (INR 84,47,093) was paid by outflow of INR 1,02,68,829. Therefore, the net forex loss for this transaction was INR 18,21,736. The payment proof in form of Foreign Bill Transaction Advice issued by Axis Bank is furnished vide Annexure 11J.

Therefore, the total Repayment during 2016-17 was INR 85,36,49,796 and net Forex loss incurred was INR 12,53,08,652.

(g). The Summary of total Forex loss incurred at the time discharge of the foreign currency loan is furnished in the following Table:

Underlying assets	Foreign Currency Loan		Payment			Forex Loss
	USD	INR	FY	USD	INR	INR
RTGCs	48,77,994	24,13,65,130	2014-15	48,77,994	286,874,833	45,509,703
Spreader	3,42,750	1,66,21,448	2014-15	3,42,750	20,678,108	4,056,659
Sub-total for 2014-15 (A)	**52,20,744**	**25,79,86,578**		**52,20,744**	**30,75,52,941**	**4,95,66,362**
RMQCs	1,28,10,634	71,00,39,650	2016-17	1,28,10,634	831,153,948	121,114,292
RTGC Spares	1,83,163	98,54,395	2016-17	1,83,163	12,227,019	2,372,624
RMQC Spares	1,58,274	84,47,093	2016-17	1,58,274	10,268,829	1,821,736
Sub-total for 2016-17 (B)	**1,31,52,071**	**72,83,41,138**		**1,31,52,071**	**85,36,49,796**	**12,53,08,652**
Total (A+B)	**18,372,815**	**98,63,27,717**		**18,372,815**	**116,12,02,737**	**17,48,75,014**

(h). Apart from above, the company had done hedging of part of its foreign currency loan during 2015-16 at 64.88 per USD and therefore, eligible for the additional hedge cost (restricting itself to only the exchange difference between hedge rate and payment rate). The details are furnished hereunder:

Hedge cost paid	USD	Settled rate	Hedged rate	Hedge cost	Total Hedge cost
Ref Annexure 11D (RMQC Loan-1)	9,300,000	65.60	64.88	0.72	6,696,000
Ref Annexure 11E (RMQC Loan-2)	1,072,000	65.60	64.88	0.72	771,840
Ref Annexure 11F (RMQC Loan-3)	2,438,634	65.05	64.88	0.17	414,568
Ref Annexure 11J (RMQC Spares Loan)	158,274	66.68	64.88	1.80	284,894
Total Cost					**81,67,301**

(i). Therefore, VCTPL requests to reconsider the total forex loss of INR 18,30,42,316 (i.e. ₹17,48,75,014 + ₹81,67,301) incurred at the time of repayment of the foreign currency loan to be eligible for the Tariff hike, which was not considered by the Authority in past period at the time of general revision of SOR.

(II). **Reconsider traffic and Revenue projections as made by VCTPL**:

(a). Volume has been increased for 2017-18 to 2019-20 by considering the VPT's proposal based on IPA projections and accordingly the revenue has been revised upward to the tune of ₹53.97 crores.

Particulars	2017-18	2018-19	2019-20	Total (TEUs)
VCTPL proposal	3,69,000	3,84,000	4,00,000	11,53,000
TAMP approval	4,00,000	4,50,000	4,74,500	13,24,500
Increase in Revenue	9.76 crores	20.77 crores	23.44 crores	53.97 crores

(b). The report submitted by consortium of M.C. Kinsey and AECOM to IPA is of 2014, when establishment of neighbouring ports – Kakinada, Paradip and Dhamara had apparently not been envisaged. The scenario now is completely different and therefore, VCTPL has requested to reconsider its volume and revenue projections. The volume which may not be able to handle and projecting the income for the same would affect three years' tariff cycle, consequences of which would affect the ROCE and cashflow of the company.

(III). **<u>Reconsider escalation in expenditure projection which is capped the WPI to 2% by the Authority in the last tariff revision Order:</u>**
VCTPL had estimated all the cost items based on the actual inflation. VCTPL is aware that the Authority is guided by the Tariff Guidelines, 2005 and have capped the WPI to 2%. However, the VCTPL has requested to reconsider its proposal of inflation. The recent trend in increase in Fuel cost is one of major examples why the 2% WPI fixed till 31-3-2020, would have serious impact on the profitability and ROCE of the company.

4. In accordance with the consultative procedure prescribed, the review application of VCTPL dated 18 January 2018, except the Annual Reports for the years 2012-13 to 2015-16 was forwarded to the VPT and concerned users/ user organisations seeking their comments vide our letter dated 25 January 2018. The comments received from the VPT and users/ user organisations were forwarded to VCTPL for feedback information. The VCTPL vide its letters dated 21 February 2018 and dated 14 March 2018 has furnished its reply.

5. A joint hearing in this case was held on 25 April 2018 at the VPT premises. The VCTPL made a power point presentation of its Review Application. At the joint hearing, the VCTPL and VPT have made their submissions.

6.1. Based on the preliminary scrutiny of the Review Application dated 18 January 2018, the VCTPL was requested vide our letter dated 1 May 2018 to furnish additional information/ clarifications with reference to the one of the points sought for review by the VCTPL to consider Foreign Exchange Loss of ₹1826.33 lakhs pertaining to the years 2014-15 and 2016-17. The VCTPL vide its letter dated 4 May 2018 has furnished its reply. A summary of the additional information/ clarifications sought by us and the information/ clarifications furnished by the VCTPL are tabulated below:

Sl. No.	Information/ clarifications sought by us	Reply furnished by VCTPL
(i).	At the time of proceedings relating to Order dated 14 November 2017, the VCTPL had furnished provisional Annual Accounts of the year 2016-17 stating that financial statements for 2016-17 are to be prepared under Indian Accounting Standard. The VCTPL, in the review application, has not furnished Audited Annual Accounts of the year 2016-17 though the year is already over. The VCTPL is, therefore, requested to furnish final audited Annual Accounts for the year 2016-17.	The Audited Annual Accounts for Financial year 2016-17 is furnished. [As per para 15 (iii) of Order dated 17 November 2017, since the figures considered in the past period analysis for the year 2016-17 was based on provisional accounts, the actual position for the year 2016-17 shall be review during the next tariff revision exercise.]
(ii).	The Audited Annual Accounts for the years 2014-15 and 2015-16 and provisional Annual Accounts for the year 2016-17 report a net foreign exchange loss of ₹380.08 lakhs in the year 2014-15, ₹406.70 lakhs in the year	--

2015-16 and ₹0.60 lakhs in the year 2016-17. The VCTPL had, during the processing of its general revision proposal, furnished the breakup of the actual foreign exchange gain/ loss reported in the Annual Accounts/ provisional Annual Accounts which is brought out in para 16 (iv) (g) (i) of the said Order. Relevant part of the said table is brought out in subsequent sub para for ease of reference.

The VCTPL had considered separate entry of foreign exchange loss of ₹1826.33 lakhs for the year 2016-17 in the cost statement in its general revision proposal and had stated that it pertains to actual loan payment of USD 18.37 million done in the years 2014-15 and 2016-17. The said figure considered by VCTPL was not found in audited Annual Accounts for the years 2014-15 to 2015-16 and in the provisional Annual Accounts of the year 2016-17 and hence not considered by the Authority for reasons recorded in para 16 (iv) (g) (ii) of the Order.

The VCTPL has now sought review of this item. The VCTPL has furnished the following summary Table – B for forex loss incurred at the time discharge (payment) of the foreign currency loan and Table – C forex loss for additional hedge cost and has requested to reconsider forex loss of ₹1830.42 lakhs. [In the TAMP Order dated 14 November 2017 at para 16 (iv) (g) (ii) amount considered by VCTPL is ₹1826.33 lakhs.]:

<u>Table – B - Forex loss incurred at the time discharge of the foreign currency loan (Furnished by VCTPL):</u>

Underlying assets	Foreign Currency Loan		Payment			Forex Loss
	USD	INR	FY	USD	INR	INR
RTGCs	48,77,994	24,13,65,130	2014-15	48,77,994	286,874,833	45,509,703
Spreader	3,42,750	1,66,21,448	2014-15	3,42,750	20,678,108	4,056,659
Sub-total for 2014-15 (A)	**52,20,744**	**25,79,86,578**		**52,20,744**	**30,75,52,941**	**4,95,66,362**
RMQCs	1,28,10,634	71,00,39,650	2016-17	1,28,10,634	831,153,948	121,114,292
RTGC Spares	1,83,163	98,54,395	2016-17	1,83,163	12,227,019	2,372,624
RMQC Spares	1,58,274	84,47,093	2016-17	1,58,274	10,268,829	1,821,736
Sub-total for 2016-17 (B)	**1,31,52,071**	**72,83,41,138**		**1,31,52,071**	**85,36,49,796**	**12,53,08,652**
Total (A+B)	**18,372,815**	**98,63,27,717**		**18,372,815**	**116,12,02,737**	**17,48,75,014**

<u>Table – C - Apart from above, the additional hedge cost (restricting itself to only the exchange difference between hedge rate and payment rate):</u>

Hedge cost paid	USD	Settled rate	Hedged rate	Hedge cost	Total Hedge cost	Repayment date
Ref Annexure 11D (RMQC Loan-1)	9,300,000	65.60	64.88	0.72	6,696,000	15.03.2017
Ref Annexure 11E (RMQC Loan-2)	1,072,000	65.60	64.88	0.72	771,840	15.03.2017
Ref Annexure 11F (RMQC Loan-3)	2,438,634	65.05	64.88	0.17	414,568	29.03.2017
Ref Annexure 11J (RMQC Spares Loan)	158,274	66.68	64.88	1.80	284,894	01.03.2017
Total Cost					**81,67,301**	

(a). With reference to Table-B, since the repayment of foreign currency loan is reported to have been done in the years 2014-15 and 2016-17 as per documentary evidence furnished by the VCTPL, the VCTPL is requested to indicate as to under which head is the said forex loss of ₹4,95,66,362 for the year 2014-15 and ₹12,53,08,652 for the year 2016-17 on account of repayment of foreign currency loan in the said years

The Forex loss considered by VCTPL in the cost statement at ₹1830.42 lakhs is based on accumulated forex loss restated end of each financial year starting from the date of availing the foreign currency loan till the date of payment. The forex losses are accounted on accrual basis in each

<table>
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<td>captured in the Annual Accounts of 2014-15 and 2016-17 in the following break up of forex loss reported in the Audited Annual Accounts 2014-15 and Provisional Accounts of 2016-17 furnished by VCTPL during the last general revision:
(in ₹)
<table>
<tr><td rowspan="2">Sl. No.</td><td rowspan="2">Particulars</td><td colspan="3">Break up of Foreign exchange loss/ gain furnished by VCTPL duly matching with the figures reported in the Audited Accounts for the years 2014-15 and 2015-16 and Provisional Accounts for the year 2016-17</td></tr>
<tr><td>FY 2014-15 (Audited)</td><td>FY 2015-16 (Audited)</td><td>FY 2016-17 (Provisional)</td></tr>
<tr><td>1</td><td>Management Fee</td><td>42,109</td><td>1,438</td><td>15,444</td></tr>
<tr><td>2</td><td>AMC - Navis LLC</td><td>941</td><td>(7,747)</td><td>(1,076)</td></tr>
<tr><td>3</td><td>Import of spares</td><td>1,394</td><td>193</td><td>-</td></tr>
<tr><td>4</td><td>Interest on BC's</td><td>15,007</td><td>-</td><td>-</td></tr>
<tr><td>5</td><td>Travelling and Other Exp.</td><td>2,276</td><td>2,332</td><td>6,340</td></tr>
<tr><td>6</td><td>Buyer's Credit (BC) FC Loan Restatement</td><td>32,029,255</td><td>30,907,372</td><td>-</td></tr>
<tr><td>7</td><td>FCNR Loan re-payment (Foreign exchange gain/ loss)</td><td>(6,980)</td><td>(4,013,002)</td><td>-</td></tr>
<tr><td>8</td><td>FCNR Loan Restatement</td><td>5,938,467</td><td>13,779,714</td><td>-</td></tr>
<tr><td>9</td><td>Bank Charges</td><td>(13,727)</td><td>294</td><td>-</td></tr>
<tr><td>10</td><td>Restatement of Forex liability</td><td>-</td><td>-</td><td>39,312</td></tr>
<tr><td></td><td>Total Foreign exchange Loss / (Gain)</td><td>38,008,742</td><td>40,670,595</td><td>60,020</td></tr>
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<td>financial year and not the entire loss booked at the time of making payment which is in accordance with the treatment to be followed as per the Indian Accounting Standard. The Forex Loss of ₹1830.42 lakhs consist of two parts – (1) Restated and Actual Forex loss for Foreign currency Loan o/s amounting to ₹1745.32 lakhs (2) Part of Hedge cost recovered towards actual forex loss had the Foreign currency Loan were not Hedged, amounting to ₹85.11 lakhs. For better clarity, a statement showing the Loan details is furnished, which is brought out in the subsequent paragraph, bringing out the forex loss restated each of the financial year and the final payment along with currency rate and reference to the Balance sheet and P&L Account.</td>
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<td>(b). Likewise, with regard to foreign exchange loss on account of additional Hedge cost given in Table-C of ₹81,67,301 for the year 2016-17, the VCTPL is requested to show under which head is the forex loss on account of additional Hedge cost captured in the Annual Accounts of the year 2016-17. Also, give a brief note on hedging cost for which forex loss is reported.</td>
<td>A brief note on the Hedge cost is explained by VCTPL which is brought out in the subsequent paragraph.</td>
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<td>(iii).</td>
<td>In Table – A furnished by VCTPL in review application, under the heading “Payment of Buyers Credit loan”, additional forex loss of ₹308,978 (RTGC loan) and foreign exchange gain of ₹308,974 (spreader loan) are considered for the year 2014-15. Likewise, additional forex loss of ₹343,430 (RTGC spares loan) and ₹182,176 (RTGC spares loan) for the year 2016-17 are considered. The VCTPL to explain the basis for the said additional forex loss/ gain if could not be correlated with the documentary evidence furnished by VCTPL.</td>
<td>The Additional forex loss of ₹3,08,978/- and forex gain of (₹3,08,974/-) may be ignored as both together have no impact. Similarly, ₹3,43,430/- may be ignored. The actual loss have been recovered from bank and is part of hedge cost adjustment. This has been shown under recovery of Hedge cost Table above separately. As regard to ₹1,82,176/- no claim has been made and hence could be a typographical error, please be ignored.</td>
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<td>(iv).</td>
<td>Furnish the actual traffic handled by VCTPL for the year 2017-18 as the year is already over.</td>
<td>The Traffic handled for the financial year 2017-18 is 3,88,289 TEUs.</td>
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</table>

6.2. The details furnished by VCTPL with reference to Foreign Exchange Loss pertaining to the years 2014-15 and 2016-17 are given below:

(i). For ease of reference, the VCTPL has furnished the following Table submitted by them earlier during its review application:

Underlying assets	Foreign Currency Loan		Payment			Forex Loss
	USD	INR	FY	USD	INR	INR
RTGCs	48,77,994	24,13,65,130	2014-15	48,77,994	286,874,834	45,509,704
Spreader	3,42,750	1,66,21,448	2014-15	3,42,750	20,678,107	4,056,659
Sub-total for 2014-15 (A)	**52,20,744**	**25,79,86,578**		**52,20,744**	**30,75,52,941**	**4,95,66,363**
RMQCs	1,28,10,634	71,00,39,650	2016-17	1,28,10,634	831,153,948	121,114,298
RTGC Spares	1,83,163	98,54,395	2016-17	1,83,163	12,227,019	2,372,624

RMQC Spares	1,58,274	84,47,093	2016-17	1,58,274	10,268,829	1,821,736
Sub-total for 2016-17 (B)	**1,31,52,071**	**72,83,41,138**		**1,31,52,071**	**85,36,49,796**	**12,53,08,658**
Total (A+B)	**18,372,815**	**98,63,27,716**		**18,372,815**	**116,12,02,737**	**17,48,75,021**

Each Asset-wise Loan liabilities and forex loss incurred with currency rate movement is now brought out by VCTPL in following Tables for better clarity and to show how it has been accounted in P&L and Balance sheet of each financial years.

A. <u>Table showing the Foreign currency Loan availed, Forex loss restated YoY and final payment made for the Loan against Import of RTGCs</u>.

FY	Particulars	USD	Ex Rate	INR	Loss/ (Gain)
2011-12	RTGCs Loan Liability-1	4,398,411	49.2250	216,511,767	
2012-13	RTGCs Loan Liability-2	479,583	51.8228	24,853,363	
		4,877,994		**241,365,130**	
2011-12	Restated on 31-3-2012		51.8521	228,066,832	11,555,065
2012-13	Restated on 31-3-2013		54.3550	265,143,370	12,223,175
2013-14	Restated on 31-3-2014		59.7580	291,499,172	26,355,802
2014-15	Payment done in 2014-15				
	16/05/2014	4,398,411	58.8100	258,670,534	
	16/05/2014	479,583	58.8100	28,204,300	
	Total payment for RTGC Loan	4,877,994		**286,874,834**	(4,624,338)
2011-12 to 2014-15	Total Forex Loss – RTGC (i) [₹241,365,130 less ₹286,874,834]				45,509,704

As can be referred in the above Table, the Foreign currency loan of USD 48,77,994 equivalent INR 24,13,65,130/- till 2012-13 had been restated at the end of each financial year. The restated forex loss was debited to P&L account and credited the same to the Loan liabilities in the Balance sheet at the end of respective financial year. The loan was settled in 2014-15 for ₹28,68,74,834/- resulting in total forex loss of ₹4,55,09,704/- (from the years 2011-12 to 2014-15 which includes restated forex loss till 2013-14). The forex losses are accounted on accrual basis in each financial year and not the entire loss booked at the time of making payment which is in accordance with the treatment to be followed as per the Indian Accounting Standard.

B. <u>Table showing the Foreign currency Loan availed, Forex loss restated YoY and final payment made for the Loan against Import of Spreaders.</u>

FY	Particulars	USD	Ex Rate	INR	Loss/ (Gain)
2011-12	Spreaders- Loan Liability-1	308,475	48.1213	14,844,218	
2011-12	Spreaders- Loan Liability-2	34,275	51.8521	1,777,231	
		342,750		16,621,448	
2011-12	Restated on 31-3-2012		51.8521	17,772,307	1,150,859
2012-13	Restated on 31-3-2013		54.3550	18,630,176	857,869
2013-14	Restated on 31-3-2014		59.7580	20,482,055	1,851,878
2014-15	Payment done in 2014-15				
	18/06/2014	308,475	60.3500	18,616,466	
	19/06/2014	34,275	60.1500	2,061,641	
	Total payment for Spreader Loan	342,750		20,678,107	196,053
2011-12 to 2014-15	Total Forex Loss – Spreaders (ii) [₹16,621,448 less ₹20,678,107]				4,056,659

As can be referred in the above Table, the Foreign currency loan of USD 3,42,750 equivalent INR 1,66,21,448/- till 2011-12 had been restated at the end of each financial year. The restated forex loss was debited to P&L account and credited the same to the Loan liabilities in the Balance sheet at the end of respective financial year. The loan was settled in 2014-15 for ₹2,06,78,107/- resulting in total forex loss of ₹40,56,659/- (from the years 2011-12 to 2014-15 which includes restated forex loss till 2013-14 and additional forex loss at the time of payment). The forex losses are accounted on accrual basis in each financial year and not the entire loss booked at the time of making payment which is in accordance with the treatment to be followed as per the Indian Accounting Standard.

Based on Table A and B above, the net forex loss for both the transactions paid in 2014-15 are consolidated in the following Table:

	Total FC loan for RTGC & Spreaders	**USD**	**INR**	**Loss/ (Gain)**
Sub-total for 2014-15 (A)	O/s at the time of settlement	5,220,744	257,986,578	
	Payment made	5,220,744	307,552,941	49,566,363
	Net Forex loss (i+ii) as per Table A and Table B			49,566,363

C. <u>Table showing the Foreign currency Loan availed, Forex loss restated YoY and final payment made for the Loan against Import of RMQCs.</u>

FY	Particulars	USD	Ex Rate	INR	Loss/ (Gain)
2012-13	RMQCs Loan Liability	12,810,634	55.4258	710,039,650	
2012-13	Restated on 31-3-2013		54.3550	696,322,023	(13,717,627)
2013-14	Restated on 31-3-2014		59.7580	765,537,880	69,215,857
2014-15	Restated on 31-3-2015		62.5300	801,048,958	35,511,078
2015-16	Restated on 31-3-2016		64.8800	831,153,948	30,104,990
2016-17	Payment done in 2016-17				
	15/03/2017	9,300,000	64.8800	603,384,000	
	15/03/2017	1,072,000	64.8800	69,551,360	
	29/03/2017	2,438,634	64.8800	158,218,588	
	Total payment for RMQC Loan	12,810,634		831,153,948	-
2012-13 to 2016-17	Total Forex Loss-RMQC (iii) [₹710,039,650 less ₹831,153,948]				121,114,298

As can be referred in the above Table, the Foreign currency loan of USD 1,28,10,634 equivalent INR 71,00,39,650/- till 2012-13 had been restated at the end of each financial year. The restated forex loss was debited to P&L account and credited the same to the Loan liabilities in the Balance sheet at the end of respective financial year. The loan was settled in 2016-17 for ₹83,11,53,948/- resulting in total forex loss of ₹12,11,14,298/- (from the years 2012-13 to 2016-17 which includes restated forex loss till 2015-16 and additional forex loss at the time of payment). Since the Forex loss was hedged in 2015-16 at INR 64.88, there is no additional loss incurred at the time of making payment. The forex losses are accounted on accrual basis in each financial year and not the entire loss booked at the time of making payment which is in accordance with the treatment to be followed as per the Indian Accounting Standard.

D. <u>Table showing the Foreign currency Loan availed, Forex loss restated YoY and final payment made for the Loan against Import of RTGCs Spares.</u>

FY	Particulars	USD	Ex Rate	INR	Loss/ (Gain)
2012-13	RTGCs Spares Loan Liability	183,163	53.8014	9,854,395	

2012-13	Restated on 31-3-2013		54.3550	9,955,803	101,408
2013-14	Restated on 31-3-2014		59.7580	10,945,431	989,628
2014-15	Restated on 31-3-2015		62.5300	11,453,157	507,727
2015-16	Restated on 31-3-2016		64.8800	11,883,589	430,432
2016-17	Payment done in 2016-17				
	17/10/2016	183,163	66.7550	12,227,019	
	Total payment for RTGC Spares Loan	183,163		12,227,019	343,430
2012-13 to 2016-17	Total Forex Loss-RTGC Spares (iv) [₹9,854,395 less ₹12,227,019]				2,372,624

As can be referred in the above Table, the Foreign currency loan of USD 1,83,163 equivalent INR 98,54,395/- till 2012-13 had been restated at the end of each financial year. The restated forex loss was debited to P&L account and credited the same to the Loan liabilities in the Balance sheet at the end of respective financial year. The loan was settled in 2016-17 for ₹1,22,27,019/- resulting in total forex loss of ₹23,72,624/- (from the year 2012-13 to 2016-17 which includes restated forex loss till 2015-16 and additional forex loss at the time of payment). Since the Forex loan was hedged in 2015-16 at INR 64.88, additional loss of ₹3,43,430 incurred at the time of making payment was later adjusted back from the Hedge cost paid to Bank. The forex losses are accounted on accrual basis in each financial year and not the entire loss booked at the time of making payment which is in accordance with the treatment to be followed as per the Indian Accounting Standard.

E. Table showing the Foreign currency Loan availed, Forex loss restated YoY and final payment made for the Loan against Import of RTGCs Spares.

FY	Particulars	USD	Ex Rate	INR	Loss/ (Gain)
2012-13	RMQCs Spares Loan Liability	158,274	53.3700	8,447,093	
2012-13	Restated on 31-3-2013		54.3550	8,602,993	155,900
2013-14	Restated on 31-3-2014		59.7580	9,458,148	855,155
2014-15	Restated on 31-3-2015		62.5300	9,896,884	438,736
2015-16	Restated on 31-3-2016		64.8800	10,268,829	371,944
2016-17	Payment done in 2016-17				
	01/03/2017	158,274	64.8800	10,268,829	
	Total payment for RTGC Spares Loan	158,274		10,268,829	-
2012-13 to 2016-17	Total Forex Loss-RTGC Spares (v) [₹8,447,093 less ₹10,268,829]				1,821,736

As can be referred in the above Table, the Foreign currency loan of USD 1,58,274 equivalent INR 84,47,093/- till 2012-13 had been restated at the end of each financial year. The restated forex loss was debited to P&L account and credited the same to the Loan liabilities in the Balance sheet at the end of respective financial year. The loan was settled in 2016-17 for ₹1,02,68,829/- resulting in total forex loss of ₹18,21,736/- (from the year 2012-13 to 2016-17 which includes restated forex loss till 2015-16 and additional forex loss at the time of payment). Since the Forex loan was hedged in 2015-16 at INR 64.88, there is no Additional loss incurred at the time of making payment. The forex losses are accounted on accrual basis in each financial year and not the entire loss booked at the time of making payment which is in accordance with the treatment to be followed as per the Indian Accounting Standard.

Based on Table C, D and E above, the net forex loss for the transactions paid in 2016-17 are consolidated in the following Table:

	Total FC loan for RMQC and Spares for RMQC and RTGCs	USD	INR	Loss/ (Gain)
Sub-total for 2016-17 (B)	O/s at the time of settlement	13,152,071	728,341,138	
	Payment made	13,152,071	853,649,796	125,308,658
	Net Forex loss (iii+iv+v) as per Table C,D and E			125,308,658

The Financial Year-wise Forex loss/ (Gain) from 2011-12 to 2014-15 are part of the restatement Buyer's credit (BC FC Loan submitted to this Authority and appeared in the earlier Tariff Order of April 2016 and current Tariff Order of November 2017).

For ease of reference, VCTPL reproduced the Forex loss Table appearing in Tariff Order of April 2016 and current Tariff Order of November 2017 as follows:

Sl. No.	Particulars	FY 2011-12 (Audited)	FY 2012-13 (Audited)	FY 2013-14 (Audited)	FY 2014-15 (Audited)	FY 2015-16 (Audited)	FY 2016-17 (Provisional)
1	Management Fee	1,096	103,860	18,704	42,109	1,438	15,444
2	AMC-Navis LLC	6,823	(512,925)	27,762	941	(7,747)	(1,076)
3	Import of spares	290,298	34,536	82,424	1,394	193	--
4	Interest on BC's	9,362	59,559	37,205	15,007	--	--
5	Travelling and Other Exp.	3,470	(4,015)	305	2,276	2,332	6,340
6	Restatement-Management Fee	108,840	--	--			
7	Buyer's Credit (BC) FC Loan Restatement *	13,424,421	(1,097,782)	99,268,320	32,029,255	30,907,372	--
8	FCNR Loan repayment			--	(6,980)	(4,013,002)	--
9	FCNR Loan Restatement	--	(707,911)	--	5,938,467	13,779,714	--
10	Bank Charges				(13,727)	294	--
11	Restatement of Forex liability						39,312
12	FC-Cancellation	(11,436,110)	(5,100,677)				
	Total Loss/ (Gain)	**2,408,200**	**(7,225,356)**	**99,434,720**	**38,008,742**	**40,670,595**	**60,020**
	Amount not considered in earlier Orders in lakhs	2,097,151	(6,198,459)	99,268,320	37,982,729	44,687,087	39,312
	Actual loss/ (gain) allowed	311,049	(1,026,897)	166,400	26,013	(4,016,492)	20,708

* Highlighted BC FC Loan restated amounts were not considered in the earlier Tariff Orders:

From 2011-12 to 2013-14 (from previous Tariff cycle)	:	₹11,15,94,959/-
2014-15	:	₹ 3,20,29,255/-
2015-16	:	₹ 3,09,07,372/-
2016-17	:	₹ -

Total Forex Loss	:	₹17,45,31,586/-
		============

Consolidating the Table A,B,C,D and E:

FY	Forex Loss/ (Gain) booked to P&L	Loan Liabilities	Reference in BS
2011-12 to 2013-14	11,15,94,959	1,097,922,680	FY 2013-14, Note 5, Long term Liabilities (Acceptance from Banks-Secured) INR 80,64,23,509 + Note 10: Other current liabilities INR 29,14,99,171.
2014-15	3,20,29,255	822,398,994	FY 2014-15, Note 5, Long term Liabilities (Acceptance from Banks-Secured) INR 82,23,98,994.
2015-16	3,09,07,367	853,306,366	FY 2015-16, Note 5, Long term Liabilities (Acceptance from Banks-

			Secured) INR 87,24,15,010 Minus INR 1,91,08,644 to be paid by Bank since liabilities is hedged in 2015-16.
2016-17	3,43,430	--	FY 2016-17, Note 16, Borrowings (Acceptance from Banks-Secured) INR NIL. Additional Forex loss of INR 3,43,430 is adjusted to Hedge cost account.
Total	17,48,75,011	--	
Less: Adjusted to Hedge a/c	3,43,430		
Forex loss booked to P&L	17,45,31,581		

Since the FC loan o/s were hedged during the Financial year 2015-16 at INR 64.88 per USD and the same was restated as on 31-3-2016, no additional Forex loss booked at the time of making payment in 2016-17. However, the Hedge cost i.e. premium paid to Bank was a loss borne by VCT and the same was debited to Finance Cost in the P&L account of 2015-16 and 2016-17 on accrual basis.

(ii). **<u>Brief Note on Hedging</u>**:

To mitigate the highly volatile foreign currency fluctuations during 2015-16, the company had opted to hedge the outstanding foreign currency loan as on 19 October 2015. The Loan principal and interest payments were hedged @ ₹64.88 per USD for payment on the date its maturity. The company paid the Hedge cost towards premium and debited the same to its Finance cost in the respective financial years on accrual basis.

If the Loans were not hedged the actual foreign currency loss would have been as under:

Particulars	Loan o/s in USD	FC Loan payable at (INR per USD)	Hedged at (INR per USD)	Additional Forex loss received from Bank per USD	Cost recovered from Hedge cost paid (would have been actual Forex loss)
RMQC Loan-1	9,300,000	65.60	64.88	0.72	6,696,000
RMQC Loan-2	1,072,000	65.60	64.88	0.72	771,840
RMQC Loan-3	2,438,634	65.05	64.88	0.17	414,568
Total for RMQC Loan	**12,810,634**				**7,882,408**
RMQC Spares Loan	**158,274**	**66.68**	**64.88**	**1.80**	**284,894**
RTGC Spares Loan	**183,163**	**66.76**	**64.88**	**1.88**	**343,430**
USD currency Hedged	**13,152,071**				
Total cost recovered from Hedge cost paid to Bank, which would have been an actual Forex loss					**8,510,731**

Therefore, the VCTPL requested this Authority to consider the following:

Forex loss booked to P&L in its respective financial years	:	₹17,45,31,581/-
Recovery of part of Hedge cost paid	:	₹ 85,10,731/-

Total Forex Loss	:	₹18,30,42,313/-
		============

7. The Licensor Port, the VPT was also requested vide our letter dated 3 May 2018 to furnish additional information on a few point by 10 May 2018, which was followed by reminder dated 21 May 2018. In response, the VPT vide its letter dated 28 May 2018 has furnished its reply. A summary of the additional information sought by us and the corresponding replies furnished by the VPT is tabulated below:

Sl. No.	Information sought by us	Reply furnished by VPT
(i).	The VCTPL has, vide its letter dated 21 February 2018, while furnishing its comments on the comments of VPT reiterated that due to stiff competition from neighboring ports, the traffic	The position in respect of container traffic projections as furnished vide VPT letter dated 3 February 2018 holds good.

	projections of VPT are very much on higher side and has again requested to re-consider volume and revenue projections as projected by VCTPL only. At the joint hearing held on 25 April 2018, the VCTPL has reported that as against traffic of 4.00 lakh TEUs estimated in the Tariff Order for the year 2017-18, VCTPL has handled 3,88,000 TEUs in actual terms. The VPT to confirm the actual traffic handled by VCTPL in the year 2017-18 as the year is already over. Further, VPT may review the traffic projections of the years 2018-19 and 2019-20 at 4,50,000 TEUs and 4,74,500 respectively based on actual traffic handled by VCTPL for the year 2017-18 which is now available.	During the year 2017-18, 388,624 TEUs were handled at VPT as against the projected volume of 4 lakh TEUs. The variation as against the projected volume was less than 3% which is insignificant. Further, during the current financial year 33,262 TEUs were handled in April 2018 as against 28,656 TEUs handled during corresponding period of previous year i.e. April 2017 registering a growth of 16%. This would adequately justify the stand of VPT with regard to projected volumes.

8.1. The reply furnished by VPT vide letter dated 28 May 2018 was forwarded to VCTPL vide our letter dated 15 June 2018 seeking their comments. The VCTPL was requested to consider to review the traffic projections for the years 2018-19 and 2019-20 based on the actual traffic handled by VCTPL for the year 2017-18 at 388,624 TEUs.

8.2. In this regard, the VCTPL vide its letter dated 21 June 2018 has highlighted the following points on the traffic projections provided by VPT:

(i). The throughput handled by VCTPL during the year 2017-18 was 3,88,289 TEUs and not 3,88,624 TEUs mentioned by VPT. The overall container throughput handled at VCTPL registered a growth of 5.9% when compared to that in the year 2016-17.

(ii). VPT had projected the container traffic as 4,50,000 TEUs and 4,74,500 TEUs respectively for the years 2018-19 and 2019-20. It may kindly be noted that the container throughput handled at VCTPL during April 2018 was 31080 TEUs as against 29826 TEUs during April 2017 i.e. 4% growth and not 16% increase as mentioned by VPT. VPT also had stated that basis 16% increase in container throughput during April 2018, the throughput projected by them is justified. In this regard, it has mentioned that –

(a). The actual growth of container traffic during April 2018 was only 4% as against April 2017.

(b). The contention by VPT to have growth of one month taken as a base for confirming projection for a year is not correct as this vary from month to month due to the cargo profile/ market conditions and will average on to the year.

(iii). Considering the above, the revised traffic projected for the year 2018-19 and 2019-20 is 4,16,000 TEUs and 4,36,000 TEUs respectively basis the following market scenario:

(a). About 40% of the container traffic handled at VCTPL is originated from Orissa region. With new container handling facility already commencing operation in Paradip, VCTPL expects some good portion of cargo, especially from Kalinga Nagar – Jajpur belt, getting diverted through this port.

(b). Similarly, Kakinada port also is aggressively marketing for handling containers. There are good volume of cargo originated in the West Godavari region (Commodities like Rice, Frozen Shrimps, Paper, etc.) which are in proximity to this port and majority of them moving through VCTPL due to good vessel connectivity. Recently, there are regular weekly calls of container vessels in Kakinada Port and some part of the cargo are seen shifting to this port. This volume shift is expected to increase in the coming months.

(iv). In view of the above facts, the traffic projections for the years 2018-19 and 2019-20 shall be considered as 4,16,000 and 4,36,000 TEUs respectively instead of 4,50,000 TEUs and 4,74,500 respectively projected for the years 2018-19 and 2019-20 by VPT.

(v). With the revised traffic projection, the annual growth rate will be 6% in both these years and is in line with that prevailed during the last FY 2017-18.

8.3. Further, the VCTPL vide its letter dated 22 June 2018 and subsequent letter dated 04 July 2018 has furnished diesel bills for the month of June 2017, September 2017, December 2017, March 2018, April 2018, May 2018 and June 2018 and also submitted the following on the recent surge in fuel cost:

(i). While filing the review application in January 2018, VCTPL had highlighted on the sharp increase in Fuel cost and 2% inflation considered in the Tariff Order of December 2017 fixed till 31.03.2020 will have a serious impact on its ROCE.

(ii). VCTPL had further represented during joint hearing held on 25 April 2018 on the hike in fuel price along with other matters. At the time of the joint hearing, the price of fuel was ₹68.51 per litre an increase of 17% over the cost then prevailing in March 2017. The current price is ₹75.13 per litre an increase of 28.43% over the cost prevailing in March 2017.

(iii). Fuel constitutes 10% of the overall operating cost and any exorbitant increase in fuel cost has an adverse impact.

(iv). A comparison of cost impact per TEU is presented in the following Table:

Particulars	March 2017	March 2018	April 2018	May 2018	June 2018
Cost per Litre	58.50	62.48	68.51	72.04	75.13
Consumption per TEU	2.25	2.42	2.42	2.42	2.42
Cost per TEU in ₹	132	151	166	174	182
Increase in cost per TEU in ₹		20	34	43	50

(v). As per current fuel price, the impact on cost is ₹50 per TEU.

(vi). Therefore, VCTPL has requested to take into consideration of fuel inflation of 28.43% in its Tariff Review Application.

(vii). The VCTPL has furnished a statement showing month wise fuel cost for the period April 2017 to March 2018 for the year 2017-18 and also for month of April 2018 to June 2018 for the year 2018-19. The VCTPL has also furnished copies of fuel bills to support figures. The statement of fuel cost furnished by VCTPL for is tabulated below:

(a). <u>For the financial year 2017-18</u>:

Month	Qty.	Amount	Average cost per litre
April 2017	72000	4,348,513	60.40
May 2017	72000	4,339,183	60.27
June 2017	72000	4,298,700	59.70
July 2017	96000	5,609,893	58.44
August 2017	84000	5,061,298	60.25
Sep 2017	84000	5,161,910	61.45
October 2017	72000	4,410,618	61.26
November 2017	72000	4,489,427	62.35

December 2017	72000	4,606,764	63.98
January 2018	84000	5,493,201	65.40
February 2018	72000	4,824,521	67.01
March 2018	92000	6,025,148	65.49
Total	**944000**	**58,669,176**	**62.17**

(b). For the financial year 2018-19:

Month	Qty.	Amount	Average cost per litre
April 2018	96000	6,522,926	67.95
May 2018	108000	7,744,914	71.71
June 2018	132000	9,794,591	74.20
Total	**336000**	**24,062,431**	**71.29**

9. To summarise, the VCTPL in its review application filed vide its letter dated 18 January 2018 and subsequent communication submitted during the processing of the case has submitted the following points for review of the Order dated 14 November 2017:

(i). Consider total forex loss of INR 18,30,42,316 incurred at the time of repayment of the foreign currency loan in the year 2014-15 and 2016-17 which was disallowed by the Authority in last tariff revision Order dated 14 November 2017.

(ii). Consider the actual traffic for the year 2017-18 at 3,88,289 TEUs and the traffic projections for the years 2018-19 and 2019-20 at 4,16,000 TEUs and 4,36,000 TEUs respectively projected by VCTPL as against 4,00,000 TEUs, 4,50,000 TEUs and 4,74,500 TEUs respectively considered by the Authority for the corresponding period in the tariff fixation of VCTPL based on the traffic projections furnished by VPT

(iii). Escalation of 2% per annum towards Employee cost, Power cost, Fuel cost is very low. Consider all the cost items based on the actual inflation as estimated by VCTPL. Consider fuel cost escalation at 28.43%.

10. 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.

11. A summary of the points made by the VCTPL in the review application, relevant extract from the tariff Order dated 14 November 2017 and our analysis thereon are dealt herein below in seriatim.

(i). **Consider total forex loss of INR 18,30,42,316 incurred at the time of repayment of the foreign currency loan in the year 2014-15 and 2016-17 which was disallowed by the Authority in last tariff revision Order dated 14 November 2017**

(a). Submissions made by VCTPL

(i). VCTPL had obtained Foreign Currency Loan by way of availing Buyers credit for a period of 5 years of USD 18,372,815 (Equivalent ₹98,63,27,717) for payment of Fixed Assets purchased during 2011-12 and 2012-13.

(ii). As per Accounting Standard (AS) 11, the outstanding foreign currency liabilities are to be translated at the exchange rate prevailing as on 31 March of the relevant financial year and shown in the books of accounts. The VCTPL has restated the loan liability following the AS11 at the end of the each financial year.

(iii). The Authority vide Order No.TAMP/31/2015-VCTPL dated 28 April 2016 had disallowed the translated forex loss in the concerned previous year and again in the current Order No.TAMP/28/2017-VCTPL dated 12 December 2017 in which the actual loss incurred was claimed stating that the actual loss is not found in audited Annual Accounts for the years 2014-15 to 2015-16 and in the provisional Annual Accounts of the year 2016-17.

(iv). The details of Foreign exchange loan taken by VCTPL for procurement of equipments, its equivalent Indian rupee, restated value of loan at the end of each financial year, actual loan repayment and Foreign exchange loss at the time of repayment is furnished.

(v). The Summary of total Forex loss incurred at the time discharge of the foreign currency loan is ₹17,48,75,014. Apart from this, the VCTPL had done hedging of part of its foreign currency loan during 2015-16 at ₹64.88 per USD. The VCTPL has, therefore, sought to consider the additional hedge cost of ₹81,67,302 (restricting itself to only the exchange difference between hedge rate and payment rate).

(vi). In short, the VCTPL has requested the Authority to consider the total forex loss of ₹18,30,42,316 (i.e. ₹17,48,75,014 + ₹81,67,302) incurred at the time of repayment of the foreign currency loan to be eligible for the Tariff hike.

(b). <u>Relevant extract of Para no.16 (iv)(g)(i) and (ii) in the Order no.TAMP/28/2017-VCTPL dated 14 November 2017</u>:

"(i). The Annual Accounts of the VCTPL reports net foreign exchange loss of ₹380.08 lakhs, ₹406.70 lakhs and ₹0.60 lakhs in the years 2014-15 to 2016-17 respectively.

The VCTPL has furnished the breakup of the actual foreign exchange gain/ loss reported in the Annual Accounts.

In tariff Order March 2015 as well as review Order No.TAMP/31/2015-VCTPL dated 30 March 2016 foreign exchange gain/ loss arising on account of actual transaction and for actual payment are captured in the cost statement for the purpose of tariff determination process. Foreign exchange gain or loss arising on account of restatement of loan/ assets/ expenses are not considered while determining the tariff. The same approach is followed while analysing the actuals for the years 2014-15 to 2016-17.

Of the net foreign exchange loss reported in the Annual Accounts, the VCTPL has excluded ₹379.61 lakhs (i.e. ₹380.29 lakhs foreign exchange loss less ₹20.71 lakhs foreign exchange gain), ₹406.74 lakhs (i.e. ₹446.91 lakhs foreign exchange loss less ₹40.20 lakhs foreign exchange gain) and nil for the years 2014-15, 2015-16 and 2016-17 respectively towards net foreign exchange loss on account of restatement of Buyer's Credit (BC), FC Loan Restatement, Foreign Currency Non Repatriable (FCNR) Loan Restatement, interest on BCs, etc. The details of the net foreign exchange loss furnished by VCTPL matching with the figures reported in the Accounts and the net foreign exchange loss/ gain admissible to the extent it is on account of restatement is tabulated below:

(in ₹)

Sl. No.	Particulars	Break up of Foreign exchange loss/ gain furnished by VCTPL duly matching with the figures reported in the Audited Accounts for the years 2014-15 and 2015-16 and Provisional Accounts for the year 2016-17			Net Foreign Exchange loss on account of repayment admitted as expense		
		FY 2014-15 (Audited)	FY 2015-16 (Audited)	FY 2016-17 (Provisional)	FY 2014-15 (Audited)	FY 2015-16 (Audited)	FY 2016-17 (Provisional)
1	*Management Fee*	42,109	1,438	15,444	42,109	1,438	15,444
2	*AMC - Navis LLC*	941	(7,747)	(1,076)	941	(7,747)	(1,076)
3	*Import of spares*	1,394	193	-	1,394	193	-
4	***Interest on BC's***	**15,007**	**-**	**-**		-	-
5	*Travelling and Other Exp.*	2,276	2,332	6,340	2,276	2,332	6,340
6	***Buyer's Credit (BC) FC Loan Restatement***	**32,029,255**	**30,907,372**	**-**	-	-	-
7	*FCNR Loan re-payment (Foreign exchange gain/ loss)*	(6,980)	(4,013,002)	-	(6,980)	(4,013,002)	-
8	***FCNR Loan Restatement***	**5,938,467**	**13,779,714**	**-**			
9	*Bank Charges*	(13,727)	294	-	(13,727)	294	-
10	***Restatement of Forex liability***	-	-	**39,312**	-	-	-
	Total Foreign exchange Loss / (Gain)	**38,008,742**	**40,670,595**	**60,020**	**26,013**	**(4,016,492)**	**20,708**

From the details furnished by VCTPL, net foreign exchange loss reported on account of restatement of buyers credit, FCNR Loan Restatement and Restatement of Forex liability, to the tune of ₹379.82 lakhs, ₹446.87 lakhs and ₹39.31 lakhs for the years 2014-15 to 2016-17 respectively which are excluded as tabulated below for ease of reference:

Particulars	***2014-15***	***2015-16***	***2016-17***
Buyer's Credit (BC) FC Loan Restatement	***32,029,255***	***30,907,372***	***-***
Restatement of Forex liability	***-***	***-***	***39,312***
Interest on BC's	***15,007***	***-***	***-***
FCNR Loan Restatement	***5,938,467***	***13,779,714***	***-***
Total	***37,982,729***	***44,687,087***	***39,312***

(ii). Further, for the year 2016-17, the VCTPL has considered separate entry of foreign exchange loss of ₹1826.33 lakhs in the cost statement. The VCTPL has stated that actual Loan payment of USD 18.37 million has been done in 2014-15 and 2016-17. The said figure considered by VCTPL is not found in audited Annual Accounts for the years 2014-15 to 2015-16 and in the provisional Annual Accounts of the year 2016-17. The figures reported in the Audited Accounts for the years 2014-15 to 2015-16 and provisional accounts for the year 2016-17 and foreign exchange gain/ loss arising on account of repayment as explained earlier and brought in the above table based on the break up furnished by VCTPL are considered in this analysis."

(c). Analysis:

(i). The VCTPL during the proceedings relating to its general revision of SOR proposal which was disposed of by this Authority vide Order dated 14 November 2017, had furnished the breakup of the actual foreign exchange gain/ loss reported in the Annual Accounts for the years 2014-15 and 2015-16 and provisional Annual Accounts for the year 2016-17 which is brought out in para 16 (iv) (g) (i) of the said Order. Relevant part of the said table is brought out in preceding para and hence not reproduced here.

The VCTPL had then considered separate entry of foreign exchange loss of ₹1826.33 lakhs for the year 2016-17 in the cost statement of its general revision proposal and had stated that it pertains to actual loan payment of USD 18.37 million done in the years 2014-15 and 2016-17. The said figure considered by VCTPL was not found in audited Annual Accounts for the years 2014-15 to 2015-16 and in the provisional Annual Accounts of the year 2016-

17 and hence not considered by this Authority for reasons recorded in para 16 (iv) (g) (ii) of the Order.

(ii). The VCTPL has now sought review of this item. There are following two components under this item for which review is sought:

(a). Foreign exchange loss on account of exchange variation at the time of actual repayment of foreign loan to the tune of ₹1,748.75 lakhs; and

(b). Hedging cost of ₹81.67 lakhs

(iii). As regards (a) above relating to the foreign exchange loss of ₹1826.33 lakhs for the year 2016-17 disallowed by this Authority for reasons stated in para 16 (iv) (g) (ii) of the Order, VCTPL has sought review of this item, citing that the repayment of foreign currency loan was done by VCTPL in the years 2014-15 and 2016-17 and has furnished documentary evidence in support of payment done by it. Since no entry relating to loss on account of repayment of loan is reflected in Audited Annual Accounts in the years 2014-15 to 2016-17, the VCTPL was requested to indicate under which head the said forex loss of ₹4,95,66,362 for the year 2014-15 and ₹12,53,08,652 for the year 2016-17 on account of repayment of foreign currency loan gets captured in the Annual Accounts of the years 2014-15 and 2016-17.

The VCTPL has now clarified and exhibited that it has been accounted in Profit and Loss Account and Balance sheet of each financial year under the Schedule "Note 5, Long-Term Borrowings (a) Acceptances from Bank" and "Note 10 Other Current Liabilities". The VCTPL has also furnished statement showing each asset-wise foreign exchange loan taken by VCTPL, its restated value, foreign loan repayment and foreign exchange loss at the time of repayment of loan on account of foreign currency movement.

The foreign loan has been restated at the end of each financial year to meet the accounting standard. The VCTPL has clarified that forex losses are accounted on accrual basis in each financial year and not the entire loss booked at the time of making payment which is in accordance with the treatment to be followed as per the Indian Accounting Standard.

To summarize, the VCTPL has reinstated the foreign currency loan at the end of each financial year capturing the foreign exchange variation. Hence, in the year of repayment of loan, there is no entry towards foreign exchange loss as the loan was already reinstated in their Audited Annual Accounts.

The VCTPL has given working for each of the forex loan, their reinstated value of each of the financial year, repayment done and actual foreign exchange loss in the year of repayment in comparison to the foreign exchange rate prevailing at the time of VCTPL availing the loan. Each repayment of loan by VCTPL is substantiated with documentary evidence.

A summary position showing foreign currency loan taken by VCTPL for procurement of equipments and actual payment done and Forex loss incurred at the time discharge of the foreign currency loan is tabulated below:

Underlying assets	**Foreign Currency Loan**		**Payment**			**Forex Loss**
	USD	**INR**	**FY**	**USD**	**INR**	**INR**
RTGCs	48,77,994	24,13,65,130	2014-15	48,77,994	286,874,834	45,509,704
Spreader	3,42,750	1,66,21,448	2014-15	3,42,750	20,678,107	4,056,659

Sub-total for 2014-15 (A)	**52,20,744**	**25,79,86,578**		**52,20,744**	**30,75,52,941**	**4,95,66,363**
RMQCs	1,28,10,634	71,00,39,650	2016-17	1,28,10,634	831,153,948	121,114,298
RTGC Spares	1,83,163	98,54,395	2016-17	1,83,163	12,227,019	2,372,624
RMQC Spares	1,58,274	84,47,093	2016-17	1,58,274	10,268,829	1,821,736
Sub-total for 2016-17 (B)	**1,31,52,071**	**72,83,41,138**		**1,31,52,071**	**85,36,49,796**	**12,53,08,658**
Total (A+B)	**18,372,815**	**98,63,27,716**		**18,372,815**	**116,12,02,737**	**17,48,75,021**

The detailed calculation of foreign exchange loss as given VCTPL in respect of RTGCs loan I and II i.e. first two items of previous table as brought out by VCTPL is reproduced hereunder for ease of understanding:

FY	Particulars	USD	Ex Rate	INR	Loss/ (Gain)
2011-12	RTGCs Loan Liability-1	4,398,411	49.2250	216,511,767	
2012-13	RTGCs Loan Liability-2	479,583	51.8228	24,853,363	
		4,877,994		**241,365,130**	
2011-12	Restated on 31-3-2012		51.8521	228,066,832	11,555,065
2012-13	Restated on 31-3-2013		54.3550	265,143,370	12,223,175
2013-14	Restated on 31-3-2014		59.7580	291,499,172	26,355,802
2014-15	Payment done in 2014-15				
	16/05/2014	4,398,411	58.8100	258,670,534	
	16/05/2014	479,583	58.8100	28,204,300	
	Total payment for RTGC Loan	4,877,994		**286,874,834**	(4,624,338)
2011-12 to 2014-15	Total Forex Loss – RTGC (i) [₹241,365,130 less ₹286,874,834]				**45,509,704**

As can be seen in the above table, the total Foreign currency loan (loan I and II) taken in the year 2011-12 and 2012-13 towards purchase of RTGCs of USD 48,77,994 was equivalent to ₹24,13,65,130/-. The said loan has been restated by VCTPL in the year 2012-13 and 2013-14 to comply with the AS 11 and restated loan amount as on 31 March 2014 is ₹29,14,99,172. The restated forex loss was debited to Profit and Loss Account and credited the same to the Loan liabilities in the Balance sheet at the end of respective financial years. The foreign exchange loss on account of reinstatement was not admitted in tariff fixation Order of November 2017 in line with general approach followed by this Authority in other cases as well. The said loan was repaid by VCTPL in the year 2014-15 in equivalent INR28,68,74,834/- resulting in total forex loss of ₹4,55,09,704/- [Equivalent of foreign Loan taken in the year 2011-12 in Indian Rupee i.e. ₹241,365,130 less foreign loan repayment in the year 2014-15 in Indian Rupee terms ₹286,874,834]. The VCTPL has furnished similar calculation for foreign exchange loss in respect of each foreign loan taken for purchase of spreader, RMQCs, RTGCs spares by VCTPL which is brought out in the earlier paragraphs and hence not reproduced for sake of brevity.

The VCTPL has clarified that the Forex loss of ₹4,95,66,363 for the year 2014-15 [₹45,509,703 for RTGCs + ₹40,56,659 for Spreader] and ₹12,53,08,653 for the year 2016-17 [₹12,11,14,292 for RMQCs + ₹23,72,624 for RTGC spares + ₹18,21,732 for RMQC spares] aggregating to ₹17,48,75,021 is pertaining to forex loss starting from the date of availing the relevant foreign currency loan till the date of payment. The forex losses are accounted on accrual basis i.e. reinstated in each financial year, and not the entire loss is booked at the time of making payment. This is to comply with the treatment to be followed as per the Indian AS 11. Hence, forex loss in the year of payment does not get reflected in the year of payment. The above clarification now furnished by VCTPL was not provided during the proceedings relating to the November 2017

Order. Hence, there is merit in the review sought by the VCTPL to admit the foreign exchange loss on repayment which was not considered by this Authority in November 2017 Order.

In view of submissions now made by the VCTPL and based on the documentary support furnished by VCTPL in respect of actual repayment of foreign exchange loan, the foreign exchange loss arising on account of variation in foreign exchange at the time of repayment of the foreign loan at ₹4,95.66 lakhs in the year 2014-15 and ₹12,53.09 lakhs in the year 2016-17 is considered in the past period statement for the years 2014-15 to 2016-17 under Annex – I i.e. the cost statement for the past period attached to the November 2017 Order.

(iv). With regard to Hedge cost, in order to mitigate the high volatile foreign currency fluctuations during 2015-16, the VCTPL has opted to hedge the outstanding foreign currency loan as on 19 October 2015. The Loan principal and interest payments were hedged at 1 USD = ₹64.88 for payment on the date of its maturity. The VCTPL has paid the Hedge cost towards premium and debited the same to its Finance cost in the respective financial years on accrual basis. The VCTPL has furnished following with reference to hedge cost:

Particulars	**Loan o/s in USD**	**FC Loan payable at (INR per USD)**	**Hedged at (INR per USD)**	**Additional Forex loss received from Bank per USD**	**Cost recovered from Hedge cost paid (would have been actual Forex loss)**
RMQC Loan-1	9,300,000	65.60	64.88	0.72	6,696,000
RMQC Loan-2	1,072,000	65.60	64.88	0.72	771,840
RMQC Loan-3	2,438,634	65.05	64.88	0.17	414,568
Total for RMQC Loan	**12,810,634**				**7,882,408**
RMQC Spares Loan	**158,274**	**66.68**	**64.88**	**1.80**	**284,894**
RTGC Spares Loan	**183,163**	**66.76**	**64.88**	**1.88**	**343,430**
USD currency Hedged	**13,152,071**				
Total cost recovered from Hedge cost paid to Bank, which would have been an actual Forex loss					**8,510,731**

The VCTPL has requested to consider hedge cost stating that if the loans were not hedged the actual foreign currency loss would have been of ₹85.11 lakhs for the year 2015-16.

In this context, it is to state that under the Table C at para 6.2 in the preceding paragraphs, it is seen that for total RMQC loan of USD 12,810,634, the repayment done by VCTPL in the year 2016-17 is done at 1US$=₹64.88 and foreign exchange loss on account of variation in the foreign exchange from the date of availing of loan till the date of repayment at ₹121,114,298 has been sought by VCTPL which is already being considered based on submissions made by VCTPL on the previous item of review. As regards hedge cost claimed by VCTPL, the VCTPL has claimed that if loan were not hedged they would have paid loan at 1 USD = ₹65.60 to ₹66.76 instead of ₹64.88. Actual loss on account of forex loss on repayment of loan is already considered. Hedge cost of ₹85.11 lakhs sought by VCTPL is not the actual foreign exchange loss on account of repayment. It appears to be a notional loss. Hence, this item is not considered.

(v). (a). Consequent to above analysis, the cost statement for the past period 2014-15 to 2016-17 attached as Annex-I to the Order dated 14 November 2017 is modified considering impact of foreign exchange loss arising on account of repayment of foreign loan at ₹495.66 lakhs in the year 2014-15 and ₹1253.09 lakhs in the year 2016-17 aggregating to ₹1748.75 lakhs. The modified cost statement for the past 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 vis-à-vis the summary of the same as per the **Annex - I** i.e. modified cost statement for the past period 2014-15 to 2016-17 is tabulated below:

A. As given in para 16 (x) of the Order dated November 2017:

(**₹ in lakhs**)

Particulars	**Aggregate for the 2014-15 to 2016-17 in absolute terms (₹ in lakhs)**		**Variation in %**
	Estimates as per tariff Order	**Actuals**	
Traffic (in TEUs)	8,57,639	9,06,467	5.7%
Operating Income	27,669.61 *	33,550.17	21.3%
Total Expenses	**23,419.92**	**22103.47**	-5.7%
Surplus/ deficit before Return	**4,227.89**	**11,446.70**	170.7%
Capital Employed (Average)	13,943.50	10,380.37	-25.6%
16% Return on Capital Employed for the three years 2014-15 to 2016-17	6,692.88	4,982.58	-25.6%
Net Surplus after ROCE	(-) 2,464.99	6,464.13	

***** *The operating income estimates are updated to reflect the effect of tariff increase granted in tariff Order of March 2015 and March 2016.*

B. Modified cost statement for the past period consequent to review of foreign exchange loss on account of repayment:

(**₹ in lakhs**)

Particulars	**Aggregate for the 2014-15 to 2016-17 in absolute terms (₹ in lakhs)**		**Variation in %**
	Estimates as per tariff Order	**Actuals**	
Traffic (in TEUs)	8,57,639	9,06,467	5.7%
Operating Income	27,669.61 *	33,550.17	21.3%
Total Expenses	23,419.92	23852.22	1.9%
Surplus/ deficit before Return	**4,227.89**	**9,697.95**	129.4%
Capital Employed (Average)	13,943.50	10,380.37	-25.6%
16% Return on Capital Employed for the three years 2014-15 to 2016-17	6,692.88	4,982.58	-25.6%
Net Surplus after ROCE	(-) 2,464.99	4,715.37	

***** *The operating income estimates are updated to reflect the effect of tariff increase granted in tariff Order of March 2015 and March 2016.*

(vi). (a). The findings of the analysis with reference to the past period relating to the years 2014-15 to 2016-17 as done in the tariff Order of November 2017 is updated considering impact of foreign exchange loss arising on account of repayment. Apart from this, no other modification is done in the past period analysis relating to the years 2014-15 to 2016-17.

(b). Consequent to above modification, on the expenditure side, the actual aggregate expenditure for the three years is ₹238.52 crores as against the estimated expenditure of ₹234.20 crores in the last Order for the corresponding period. The total actual expenditure thus shows positive variance of 1.9% in comparison to the expenditure estimated in the last tariff Order as against negative variation of 5.7% in the November 2017 Order.

(c). As per the modified cost statement for the past period prepared by us, the VCTPL has earned surplus of ₹1,829.31 lakhs, ₹2,476.07 lakhs and ₹5,392.57 lakhs before return which aggregates to average surplus of ₹3,232.65 lakhs for the years 2014-15 to 2016-17. The average return earned on the average capital employed thus works out to 31.1%, as shown in the following table:

(**₹ in lakhs**)

Particulars	2014-15	2015-16	2016-17	Average
Actual Surplus before return earned by VCTPL	**1,829.31**	**2,476.07**	**5,392.57**	**3,232.65**
Actual Capital Employed	10,852.24	10,773.30	9,515.58	**10,380.37**
Actual Return earned on capital employed	16.86%	22.98%	56.67%	31.1%

(d). As explained in detail in November 2017 Order, 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. 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.

It can be seen from the above analysis that the variation in the physical parameter i.e., actual traffic handled is less than 20% i.e. 6% positive and financial performance in terms of return on capital employed is positive and the same is more than 20% i.e. 31.1%. Further, as per the above table, the VCTPL has earned average return of 31.1% on the capital employed as against 16% return allowed in the last tariff Order. In the last tariff Order, the past period analysis reflected average return of 36.8% which has reduced to 31.1% in view of modification in the cost statement as stated in the earlier paragraphs. Thus, though there is positive variation in financial parameters, the variation in both physical and financial parameters does not exceed 20%. Hence, there is no case for adjustment of past period surplus of VCTPL operations while arriving at the tariff for the tariff cycle 2017-18 to 2019-20 following the opinion of the AG on the interpretation of clause 2.13 of the Tariff Guidelines of 2005.

(ii). **<u>Consider the actual traffic for the year 2017-18 at 3,88,289 TEUs and the traffic projections for the years 2018-19 and 2019-20 at 4,16,000 TEUs and 4,36,000 TEUs respectively projected by VCTPL as against 4,00,000 TEUs, 4,50,000 TEUs and 4,74,500 TEUs respectively considered by this Authority:</u>**

(a). <u>Submissions made by VCTPL</u>:

(i). The VCTPL had projected traffic for the years 2017-18 to 2019-20 at 369000 TEUs, 384000 TEUs and 400000 TEUs respectively. This has been considered at increased the traffic projections at 4,00,000 TEUs, 4,50,000 TEUs and 4,74,500 TEUs for the years 2017-18 to 2019-20 based on the traffic projections furnished by VPT which was based on projections by the consultant M.C. Kinsey and AECOM to IPA. Consequently, the estimated revenue was revised upwards to the tune of ₹53.97 crores.

(ii). The traffic estimates by VCTPL and that considered by the Authority in Order No.TAMP/28/2017-VCTPL dated 14 November 2017 are given below:

Particulars	2017-18	2018-19	2019-20	Total (TEUs)
VCTPL proposal	3,69,000	3,84,000	4,00,000	11,53,000
TAMP approval	4,00,000	4,50,000	4,74,500	13,24,500
Increase in Revenue	9.76 crores	20.77 crores	23.44 crores	53.97 crores

(iii). In this regard it is to state that the report submitted by consortium of M.C. Kinsey and AECOM to IPA is of 2014, when establishment of neighbouring ports – Kakinada, Paradip and Dhamara had apparently not been envisaged. The traffic projections made by VPT does not consider competition from Dhamra, Kakinada Ports and Paradip port. Paradip and Dhamra Port started functioning from the year 2018-19 and will start attracting more cargo of Vizag port by 2019-20. The scenario now is completely different and therefore, it is requested to reconsider traffic volume and revenue projections. The volume which VCTPL may not be able to handle and projecting the income for the same would affect three years tariff cycle. This will consequently affect the ROCE and cashflow of the VCTPL.

(iv). The VCTPL during the processing of this review application has reported the actual throughput handled by it during the year 2017-18 at 3,88,289 TEUs as against 4.00 lakh TEU considered by the Authority for the year 2017-18. The overall container throughput handled at VCTPL registered a growth of 5.9% when compared to 366683 TEUs in the year 2016-17. The container throughput handled at VCTPL during April 2018 is 31080 TEUs as against 29826 TEUs during April 2017 i.e. the actual growth of container traffic during April 2018 is only 4% over actual container traffic handled in April 2017.
The contention by VPT to have growth of one month taken as a base for confirming projection for a year is not correct as this may vary from month to month due to the cargo profile/ market conditions and will average on to the year.

(v). Based on the actual traffic handled at VCTPL at 3,88,289 TEUs in the year 2017-18, the VCTPL has furnished revised traffic projection for the years 2018-19 and 2019-20 at 4,16,000 TEUs and 4,36,000 TEUs respectively as against 3,84,000 TEUs and 4,00,000 TEUs projected by it during the last traffic revision. The VCTPL has furnished following justification in support of the revised traffic projections based on market scenario:

(a). About 40% of the container traffic handled at VCTPL is originated from Orissa region. With new container handling facility already commencing operation in Paradip, some good portion of cargo, especially from Kalinga Nagar – Jajpur belt, is expected to get diverted from VCTPL to these ports.

(b). Similarly, Kakinada port also is aggressively marketing for handling containers. There are good volume of cargo originated in the West Godavari region (Commodities like Rice, Frozen Shrimps, Paper, etc.) which are in proximity to this port and majority of them are moving through VCTPL due to good vessel connectivity. Recently, few regular weekly calls of container vessels are seen shifting to this port. This volume shift is expected to increase in the coming months.

(b). Relevant extract of Para no.16 (xii) in the Order no.TAMP/28/2017-VCTPL dated 14 November 2017:

"As per clause 3.1.8. of the tariff guidelines of 2005, the normal tariff validity cycle is for a period of three years and hence the analysis of estimates in respect of VCTPL is done for a three years period i.e. 2017-18 to 2019-20. The actual throughput handled by VCTPL is 3,66,683 TEUs in the year 2016-17. As against that the traffic estimated by VCTPL for the years 2017-18 to 2019-20 is 3,69,000 TEUs, 3,84,000 TEUs and 4,00,000 TEUs respectively.

The growth projected in traffic is 0.63%, 4.07% and 4.17% for the years 2017-18 to 2019-20 respectively over the actuals/ estimates of the respective previous years and the average growth rate comes to 2.95%. The VCTPL has stated that traffic has been forecasted taking into consideration the available traffic in and around Visakhapatnam, competition from the neighboring ports, deprecation in Dollar value and moderate economic growth in coming year and vast capacity being created in the East Coast. The VCTPL has also stated that Vessel related charges have gone up drastically which has affected the shipping lines.

When the VPT was requested to express its views on the reasonableness of the traffic projection made by the VCTPL, the VPT has stated that Indian Port Association (IPA) has appointed a consortium of M.C. Kinsey and AECOM as a Consultant to prepare the national perspective plan as part of Sagarmala programme. The VPT has stated that origin – Destination of key cargo in Indian ports have been mapped by the Consultant to develop traffic scenarios for a period of next 20 years. Based on the Report of the Consultant engaged by IPA, the VPT has stated that container projection at VCTPL for the years 2017-18, 2018-19 and 2019-20 works out to 4.00, 4.50 and 4.90 lakh TEUs as against the estimates of VCTPL at 369000 TEUs, 384000 TEUs and 400000 TEUs respectively for the corresponding period.

Thus, in short, the VPT has not accepted the traffic projections of the VCTPL. It is relevant here to state that the actual traffic growth achieved by VCTPL in the years 2014-15 to 2016-17 is -5%, 18% and 26% which works out to average growth of 13% per annum. If 13% growth per annum as achieved by VCTPL in the past period is considered over the actual *traffic of the 2016-17, the traffic estimates works out to 414352 TEUs, 468218 TEUs and 529083 TEUs. The traffic growth projected by VPT is 8%, 17% and 23% for the years 2017-18 to 2019-20 respectively which is found to be higher than the traffic projections given by the VCTPL.*

Since the Licensor Port has projected year wise traffic of VCTPL based on the Report of the Consultant engaged by IPA and also taking into consideration the traffic growth achieved by the VCTPL in the past, the traffic estimates furnished by VCTPL is updated at the level of traffic projection furnished by the licensor port VPT except for moderation for the year 2019-20. It is seen that the traffic projected by VPT for the year 2019-20 is 4,90,000 TEUs. Whereas the optimal capacity assessed by VCTPL is 4,74,500 TEUs. That being so, the traffic projections for the year 2019-20 is considered at the level of the optimal capacity assessed by the VCTPL.

The VCTPL has furnished detailed working of revenue estimation for the traffic projected by VCTPL. On perusing the working, it is seen that the broad share of container mix viz. import container, export containers, Transshipment container and Restow containers is projected at 37%, 37%, 25% and 1% respectively for each of the years 2017-18 to 2019-20 for income estimation. The average share of container mix in the years 2014-15 to 2016-17 was 45%, 45%, 9% and 1% for the corresponding container categories.

The reduction in the share of import and export containers including ICD is attributed by VCTPL to upcoming container terminals neighboring VCTPL as well as vast capacity being created in the East Coast. The VCTPL has also stated CONCOR MMLP is presently operational partially and there has been already a drop in ICD volume in the terminal this fiscal as the trains are being handled at CONCOR MMLP itself. The VCTPL has stated that growth in traffic for Transhipment is, however, projected to the extent of 25% of total volume considering few services likely to commence their operations. It is noteworthy that the VPT has not objected to the container mix estimated by VCTPL.

In view of the above position, brought out by the VCTPL, the share of container mix considered by the VCTPL is relied upon and considered for all the years under consideration. The share of container mix considered by the VCTPL for the broad cargo categories is considered on the updated traffic projections."

(c). Analysis:

(i). As stated by the VCTPL, the revised traffic considered by this Authority in November 2017 Order at 4 lakhs TEUs, 4.50 lakh TEUs for the years 2017-18 and 2018-19 was based on the traffic projections furnished by the VPT. As regards, 2019-20 the traffic projection furnished by VPT at 4.90 lakh TEUs was moderated and considered at the capacity of the terminal at 4.745 lakh TEUs. The traffic projection by the VPT was reportedly based the Consultant engaged by IPA.

With reference to review of this item by VCTPL, the VPT has maintained the traffic projections furnished by them earlier during the processing of this case. The VPT has stated that container traffic at VPT registered a Compounded Annual Growth Rate (CAGR) of more than 10% during 2012-13 to 2016-17. The traffic projection in respect of container cargo contained in Master Plan Report for VPT prepared by M/s.AECOM for the financial years 2020, 2025 and 2035 are 0.49, 0.61 and 1.02 million TEUs respectively. The growth considered in the Master Plan was also 10% i.e. from 0.37 million TEUs in FY17 to 0.49 million TEUs in financial year 2020. As such, the VPT has viewed that it is prudent to consider 10% growth in container traffic YoY.

The VPT has furnished the actual traffic handled by VCTPL in the year 2017-18 at 388,624 TEUs as against the projected volume of 4 lakh TEUs. When the port was requested to review the traffic projections furnished by it for the years 2018-19 and 2019-20 based on actual traffic handled by VCTPL in the year 2017-18, the VPT has viewed that variation in 2017-18 between the projected volume and actual is less than 3% which is insignificant. The VPT has referred to actual traffic handled at 33,262 TEUs in April 2018 as against 28,656 TEUs handled during corresponding period of previous year i.e. April 2017 registering a growth of 16%. The VPT has stated that the VCTPL has recently procured two new RMQCs and Reach Stackers which may enhance the existing capacity. The VPT has thus maintained the traffic projections furnished by it at the time of proceedings relating to November 2017 Order.

(ii). The VCTPL has reported the actual throughput handled during the year 2017-18 at 3,88,289 TEUs and not 3,88,624 TEUs stated by VPT. The overall container throughput handled at VCTPL in the year 2017-18 registered a growth of 5.9% when compared to that in the year 2016-17. Further, VCTPL has also stated that the container throughput handled at VCTPL during April 2018 is 31080 TEUs as against 29826 TEUs during April 2017 i.e. the actual growth of container traffic during April 2018 is only 4% over actual container traffic handled in April 2017.

The VCTPL has stated that the traffic projections made by VPT does not consider competition from Dhamra, Kakinada Ports and Paradip port. Paradip and Dhamra Port started functioning from the year 2018-19 and will start attracting more cargo of Vizag port by 2019-20 and thus impacting the traffic volume of the VCTPL.

The VCTPL has furnished revised traffic projection for the years 2018-19 and 2019-20 at 4,16,000 TEUs and 4,36,000 TEUs respectively as against 3,84,000 TEUs and 4,00,000 TEUs projected by it during the last traffic revision. The revised traffic projections is based on the actual traffic handled by VCTPL at 3,88,289 TEUs in the year 2017-18 and based on the market scenario. The VCTPL has furnished following justification for the revised traffic projections:

(a). About 40% of the container traffic handled at VCTPL is originated from Orissa region. With new container handling facility already commencing operation in Paradip, VCTPL expects some good portion of cargo, especially from Kalinga Nagar – Jajpur belt, getting diverted through this port.

(b). Similarly, Kakinada port also is aggressively marketing for handling containers. There are good volume of cargo originated in the West Godavari region (Commodities like Rice, Frozen Shrimps, Paper, etc.) which are in proximity to this port and majority of them are moving through VCTPL due to good vessel connectivity. Recently, regular weekly calls of container vessels at VCTPL are shifting to Kakinada port and volume of shift is expected to increase in the coming months.

(iii). In view of the above, the VCTPL has requested to consider the traffic for the year 2017-18 at 3,88,289 TEUs actually handled by it and revise the traffic projections for the years 2018-19 and 2019-20 at 4,16,000 TEUs and 4,36,000 TEUs respectively instead of 4,50,000 TEUs and 4,74,500 respectively projected for the years 2018-19 and 2019-20.

(iv). As regards 2017-18, the VPT has reported that VCTPL has handled 3,88,624 TEUs. The VCTPL has confirmed that the traffic handled is 3,88,289 TEUs and not 3,88,624 TEUs stated by VPT. This Authority goes with the actuals furnished by the BOT operator VCTPL in this regard.

(v). As regards point made by VPT that the VCTPL has recently procured two new RMQCs and Reach Stackers which may enhance the existing capacity, it is relevant to state that the impact of the additional equipment was already captured by VCTPL in assessing the capacity during the tariff revision Order dated 14 November 2017. The optimal capacity of 395500 TEUs in the year 2016-17 was increased to 474500 TEUs in the year 2017-18 on this account. Though capacity is available, the VCTPL has justified the traffic projections which has been dealt with in earlier paragraphs.

(vi). With the revised traffic projections by the VCTPL, the growth in terms of percentage works out to 7.14% in the year 2018-19 over 2017-18 actual traffic and 4.81% growth in the year 2019-20 over previous years estimates. For the years 2017-18 to 2019-20, the average annual growth in traffic works out to 5.95%

(vii). The VCTPL has highlighted the competition scenario for container traffic. It is noteworthy that M/s.Paradip International Cargo Terminal Pvt. Ltd. has commenced operation with effect from 25 April 2018 to handle container apart from multipurpose cargo. The response of VPT on the competition scenario is silent. Based on justification furnished by the VCTPL for the revised traffic projection and taking into consideration that the average annual growth projected at 5.95% is comparable to the actual growth of 5.89% achieved by the VCTPL in the year 2017-18, the traffic estimates for the years 2017-18 to 2019-20 is considered at 3,88,289 TEUs, 4,16,000 TEUs and 4,36,000 TEUs respectively as estimated by VCTPL. In any case, if variation in the actual traffic handled by VCTPL with the projection is more that +/(-) 20% it will be dealt with in line with the Tariff Guidelines of 2005.

(viii). Consequent to the above modifications, the income estimated in the Order dated 14 November 2017 is also modified for the revised traffic projections. The modified income considered is ₹13,878.38 lakhs, ₹14,755.09 lakhs and ₹15,438.33 lakhs in the years 2017-18 to 2019-20 as against ₹14,247.01 lakhs, ₹15,825.01 lakhs and ₹16,649.50 lakhs respectively considered in the Order dated 14 November 2017.

(ix). Consequent to the above modification in the traffic, the estimates of operating cost viz., the power cost, fuel cost captured under equipment running cost, admissible Royalty, Equipment hire charge and variable items under other expenses viz. testing charges and hire of manpower charges which are linked to traffic projection also stand modified.

The modified total operating cost is ₹6,008.80 lakhs, ₹7,337.61 lakhs and ₹7,850.20 lakhs in the years 2017-18 to 2019-20 aggregating to ₹21,196.61 lakhs as against ₹6,075.61 lakhs, ₹7,512.25 lakhs and ₹8,068.25 lakhs respectively aggregating to ₹21,656.10 lakhs considered in the Order dated 14 November 2017. The modified operating cost is after taking into consideration the modified unit rate of fuel for reasons brought out in the subsequent paragraphs.

(iii). **Escalation of 2% per annum towards Employee cost, Power cost, Fuel cost is very low. The VCTPL requests to review and consider all the cost items based on the actual inflation as estimated by VCTPL:**

(a). Submissions made by VCTPL

(i). The VCTPL is aware that this Authority is guided by the Tariff Guidelines, 2005 and have capped the WPI to 2%. However, the VCTPL has requested to reconsider the annual inflation considered by this Authority at 2% for each of the years 2017-18 to 2019-20.

(ii). The recent trend in increase in Fuel cost is one of major examples why the 2% WPI fixed till 31-3-2020, would have serious impact on the profitability and ROCE of the company.

(iii). Escalation of 2% per annum towards Employee cost, power cost and Fuel cost is very low. Compared to 2016-17, Fuel cost has gone up by 17%, power cost by 8% and employee cost by 11%. Minimum wage cost has gone up by 44% last year.

At the time of the joint hearing, the price of fuel was ₹68.51 per litre an increase of 17% over the cost then prevailing in March 2017. The current price is ₹75.13 per litre an increase of 28.43% over the cost prevailing in March 2017. Fuel constitutes 10% of the overall operating cost and any exorbitant increase in fuel cost has an adverse impact. As per current fuel price, the impact on cost is ₹50 per TEU. Therefore, VCTPL has requested to take into consideration of fuel inflation of 28.43% in its Tariff Review Application.

(b). Relevant extract of Para no.16 (xiv) in the Order no.TAMP/28/2017-VCTPL dated 14 November 2017:

"(xiv). Clause 2.5.1. of the tariff guidelines requires that the expenditure projections of the major ports / 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 2017-18 is 2%. Annual escalation applied by the VCTPL for estimating some of cost items like maintenance cost, fuel cost, etc., is at 4% and power cost at 10% which are found to be higher than the permissible level.

As regards labour cost, the VCTPL has stated that as per the minimum wages policy revised by the Government of India w.e.f. 1st April 2017, there is increase in the minimum wages range of 43%-44% over the existing rate. Citing this the VCTPL has requested to consider annual escalation in cost of labour by 10% to retain the experienced and trained personnel.

In this regard, it is relevant to state that this Authority is guided by Tariff Guidelines, 2005. Clause 2.5.1. of the revised tariff guidelines requires that the expenditure projections with reference to current movement of Wholesale Price Index (WPI) for all commodities as announced by the Government of India. WPI is a weighted average movement of prices of the identified groups. It is not that all groups in the basket of WPI suffer the same quantum of escalation. Since this Authority is bound to follow the Tariff Guidelines, 2005, annual escalation is restricted to 2% per annum as announced by this Authority for the tariff cases to be decided in the year 2017-18 as per the terms of the Tariff Guidelines, 2005.

Accordingly, in our analysis, the estimate for the years 2017-18 to 2019-20 are modified applying the annual escalation factor of 2% over the actuals/ estimate of respective previous years wherever the annual escalation applied by the VCTPL is higher than the stated level and adjusted for the traffic growth. This is in line with approach followed while tariff fixation for other BOT operators under Tariff Guidelines, 2005.

(c). <u>Analysis</u>:

(i). As stated in November 2017 Order, this Authority is guided by Tariff Guidelines, 2005. Clause 2.5.1. of the tariff guidelines requires that the expenditure projections of the major ports/ 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. It is not that all groups in the basket of WPI suffer the same quantum of escalation. Since this Authority is bound to follow the Tariff Guidelines, 2005, annual escalation was restricted to 2% per annum as announced by this Authority for the tariff cases to be decided in the year 2017-18 as per the terms of the Tariff Guidelines, 2005.

(ii). It is relevant here to state that wherever the VCTPL had furnished contract copy during the last tariff revision, for example, for equipment hire charges, lashing/ unlashing, tally and hire of man power, security cost, etc., the estimate of cost captures the unit rate as per the valid contract. For the period beyond the contract period, the unit rate have been escalated applying 2% annual escalation at the WPI level. This is in line with approach followed while tariff fixation for other BOT operators under Tariff Guidelines, 2005.

(iii). In the current review application, the VCTPL, while requesting that all cost items may be escalated at the level estimated by it, has specifically sought review of power cost, fuel cost and employee cost. As regard employee cost, the strength of labour as estimated by the VCTPL for each of the years 2017-18 to 2019-20 has been considered. As regards the unit cost, the actual average cost of operating and direct labour and maintenance labour for the year 2016-17 is taken as the base and escalated by 2% per annum for estimating this item as brought out in para 16 (xv) of the Order dated 14 November 2017.

As regards power cost as well, per unit consumption as estimated by the VCTPL has been considered. The actual average variable power cost as reported for the year 2016-17 is taken as the base and escalated by the admissible escalation level of 2% per annum for each of the years 2017-18 to 2019-20. The VPT also stated that escalation in power cost considered by this Authority is reasonable.

Further, in the current review application, the VPT has suggested to VCTPL to obtain power from VPT which is around ₹5.50/ unit as provided to other BOT operators like Essar Vizag Terminal Limited (EVTL) and Vedanta (VGCBPL) which is much cheaper than the power procured by VCTPL from Andhra Pradesh Electricity Regulatory Commission (APERC) which is around ₹8 per unit. The VCTPL has also agreed to examine this point made by the VPT. In view of the above, this Authority does not like to review this item.

(iv). As regards fuel cost, fuel consumption as estimated by VCTPL was considered for each of the years 2017-18 to 2019-20 in the tariff Order of November 2017.

During the proceeding relating to the last tariff revision, the VCTPL had furnished fuel bills for the months for April 2017 to June 2017. The average unit rate for these three months (i.e. ₹60.94 / litre) was considered in the cost estimate for the year 2017-18 and for the subsequent years 2018-19 to 2019-20, the annual escalation was moderated to the allowable level of 2%.

Now, in the current review application, the VCTPL stated that the fuel cost has increased by 28.43% over March 2017 fuel rate. The VCTPL has furnished a statement of fuel cost for the year 2017-18 and for the year 2018-19 from April 2018 to June 2018. The VCTPL has also substantiated with copy of fuel bills. As per the statement furnished by VCTPL, the average cost of fuel rate for the year 2017-18 is ₹62.17/ litre as against ₹60.94 / litre considered by this Authority. For the years 2018-19 (upto June 2018), the average fuel cost is ₹71.29/ litre as against ₹61.20 / litre considered by this Authority applying 2% escalation over the unit rate of fuel considered in 2017-18. The variation in the unit cost of fuel for the years 2017-18 and 2018-19 works out to 2.02% and 16.49% over the unit cost considered in November 2017 Order. Even the VPT has also endorsed the proposal of VCTPL for review of unit rate of fuel cost stating that fuel cost has increased during the recent time.

In view of the above position, this Authority is inclined to review the unit rate of fuel and consider it at ₹62.17 / litre for the year 2017-18 and ₹71.29 / litre for the year 2018-19 based on the details furnished by VCTPL and substantiated with copies of fuel bills. For the year 2019-20, 2% annual escalation is considered on the modified unit rate of 2018-19 in line with the approach followed in estimation of the other cost items and in compliance with the Tariff Guidelines 2005.

(v). In view of the above analysis, the fuel cost estimates which are captured under equipment running cost are modified. While modifying this cost item, as stated earlier, it is adjusted for the revised traffic projection flowing from this review application.

12.1. Subject to above analysis, the cost statement giving the consolidated position considered in the tariff Order of November 2017 is modified and attached as **Annex - II**. The summary of the cost position reflected in the modified cost statement is summarized below:

(**₹ in lakhs**)

Particulars	**2017-18**	**2018-19**	**2019-20**	**Total**
Operating Income	13878.38	14755.09	15438.33	44071.79

Net Surplus / (Deficit)	111.25	(768.39)	(964.65)	(1621.79)
Net Surplus / (Deficit) as a percentage of Operating Income	0.80%	(5.21%)	(6.25%)	(3.55%) (Avg.)

The above table depicts a total deficit of ₹1621.79 lakhs for the years 2017-18 to 2019-20.

12.2. The VCTPL, in the last tariff revision which culminated in November 2017 Order, had proposed a tariff increase of 23.30% in the composite rate for handling of import and export laden containers under 1.1.A (a) of the SOR. For all the other tariff items, the VCTPL had maintained status quo in the then prevailing SOR based on its view that there is competition.

12.3. The cost statement of November 2017 Order reflected a net surplus after admissible cost at ₹161.56 lakhs, ₹252.66 lakhs and ₹154.23 lakhs for the years 2017-18 to 2019-20 respectively aggregating to net surplus of ₹568.45 lakhs at the then existing level of tariff level which in terms of percentage worked out to average net surplus of 1.22% for the years 2017-18 to 2019-20. Recognising that the net surplus reflected by the cost statement was marginal, this Authority had decided to maintain status quo in the existing Scale of Rates of VCTPL.

12.4. Based on the analysis of the review application filed by the VCTPL, it is seen from the above modified cost statement prepared and summary position reflected in table above that there is a net surplus after admissible cost at ₹111.25 lakhs in the year 2017-18 and net deficit to the tune of ₹768.39 lakhs and ₹964.65 lakhs for the years 2018-19 to 2019-20 respectively aggregating to net deficit of ₹1621.79 lakhs for the years 2017-18 to 2019-20. In view of the deficit position reflected by the cost statement arising out of the analysis of the review application filed by the VCTPL, there is a case to grant tariff increase to meet the total deficit of ₹1621.79 lakhs.

12.5. The current tariff cycle of the VCTPL is for the years 2017-18 to 2019-20. The year 2017-18 is already over and half of the year 2018-19 is also over. By the time the Order passed by this Authority comes into effect, it will be around September 2018. Hence, the tariff increase granted in the composite rate for handling of import and export laden containers under 1.1.A (a) of the SOR so as to meet the deficit of ₹1621.79 lakhs will be for a period of 7 months for the year 2018-19 i.e. from September 2018 to March 2019 and for the year 2019-20 for the current tariff cycle. Accordingly, a working for arriving at the tariff increase to meet the deficit of ₹1621.79 lakhs is tabulated below:

Particulars	**Amount** (₹ in Lakhs)
Total Net Deficit for the current tariff cycle for the years 2017-18 to 2019-20	**-1621.79**
Total Estimated income from composite rate for handling of import and export laden containers. [For the year 2018-19 i.e. from September 2018 to March 2019 (7 months) on pro rata basis and for the year 2019-20]	15,533.34
Tariff increase to be granted in composite rate for handling of import and export laden containers from 01 September 2018 in terms of % **[₹1621.79 lakhs/ ₹15,533.34 lakhs]**	**10.44%**

12.6. Thus, based on the deficit reflected in the cost statement and as per the above working, this Authority approves 10.44% increase in the existing composite rate for handling of import and export laden containers. Status quo is maintained on all the other tariff items as sought by the VCTPL.

12.7. Ordinarily the rates approved by this Authority come into effect after expiry of 30 days from the date of notification of the Order in the Gazette of India. In the instant case, recognising that there is deficit based on the review application filed by the VCTPL and also recognising that the tariff increase granted is arrived assuming the increase will be effective from 01 September 2018, the revised rates approved are made effective from 01 September 2018. The validity of the rates will continue to be till 31 March 2020 as ordered in November 2017 Order. The actual financial and physical performance will be reviewed following the applicable tariff guidelines during the next tariff revision, which is due from 31 March 2020 along with the review of estimates for the year 2016-17 with reference to actuals based on audited accounts.

13.1. In the result, and for the reason given above, and based on a collective application of mind, this Authority approves the following modifications in the existing Scale of Rates of VCTPL approved vide Order No.TAMP/28/2017-VCTPL dated 14 November 2017:

(i). The composite rates for Laden containers – Import / Export prescribed at Sl. No.(a) under Schedule 1.1.A under Section – I Container Operations in the existing SOR is modified and replaced as follows:

"1.1.A. COMPOSITE RATE FOR HANDLING IMPORT AND EXPORT CONTAINERS:

(**in ₹**)

Sl. No.	Particulars	Container not exceeding 20 feet in length		Container exceeding 20 feet in length and upto 40 feet length		Container exceeding 40 feet in length and upto 45 feet length	
		Foreign -going	Coastal	Foreign-going	Coastal	Foreign-going	Coastal
(a).	Laden Containers -Import / Export	4663	2797	6995	4197	9326	5596

"

13.2. The revised rates approved in this Order will come into effect from 01 September 2018. The validity of the rates shall continue to be in force till 31 March 2020 as ordered in November 2017 Order.

13.3. The VCTPL is advised to suitably modify the existing SOR.

(T.S. Balasubramanian)
Member (Finance)

Annex - I

VISAKHA CONTAINER TERMINAL PRIVATE LIMITED

ANALYSIS OF PERFORMANCE OF VCTPL FOR THE YEARS 2014-15 TO 2016-17 BASED ON ACTUALS VIS-A-VIS ESTIMATES BASED ON THE REVIEW APPLICATION FILED BY THE VCTPL

₹ in Lakhs

Sr. No.	Particulars	Estimates in the tariff Order of October 2016				Actuals modified by TAMP in November 2017 Order				% Variation	Actuals modified by TAMP based on the Review Application filed by VCTPL				% Variation
		2014-15	2015-16	2016-17	Total	2014-15	2015-16	2016-17	Total		2014-15	2015-16	2016-17	Total	
	Traffic (In TEUs)	**251,000**	**294,485**	**312,154**	**857,639**	**248,163**	**291,621**	**366,683**	**906,467**	**5.7%**	**248,163**	**291,621**	**366,683**	**906,467**	**5.7%**
	Optimal Capacity	395,500	413000	413000	1,221,500	395,500	413,000	413,000	1,221,500		395,500	413000	413000	1,221,500	
I	**Total Operating Income**														
	Container handling income	6965.23	8171.93	9290.71	24,427.87	7,702.23	8,676.99	12,294.66	28,673.88	17.4%	7,702.23	8,676.99	12,294.66	28,673.88	17.4%
	Others	910.80	1066.18	1264.75	3,241.74	998.48	1,349.06	2,528.75	4,876.29	50.4%	998.48	1,349.06	2,528.75	4,876.29	50.4%
	Total	**7876.03**	**9238.12**	**10555.46**	**27669.61**	**8700.71**	**10026.05**	**14823.41**	**33550.17**	**21.3%**	**8,700.71**	**10,026.05**	**14,823.41**	**33,550.17**	**21.3%**
II	**Operating Costs (excluding**														
	Operating & Direct Labour	308.72	327.24	346.88	982.83	285.96	345.51	375.71	1,007.18		285.96	345.51	375.71	1,007.18	
	Maintenance Labour	360.85	382.26	405.24	1,148.36	342.09	388.56	407.31	1,137.95		342.09	388.56	407.31	1,137.95	
	Equipment Running Costs	1262.93	1450.94	1656.22	4,370.10	1,015.01	1,228.08	1,469.13	3,712.21		1,015.01	1,228.08	1,469.13	3,712.21	
	Royalty / revenue share	430.47	667.38	764.78	1,862.62	425.60	670.62	898.37	1,994.59		425.60	670.62	898.37	1,994.59	
	Equipment Hire	712.49	831.87	920.99	2,465.35	736.94	905.97	1,237.28	2,880.19		736.94	905.97	1,237.28	2,880.19	
	Lease Rentals	85.90	85.90	85.90	257.71	94.09	85.30	101.35	280.73		94.09	85.30	101.35	280.73	
	Insurance	93.46	113.71	157.95	365.12	78.64	80.34	96.51	255.48		78.64	80.34	96.51	255.48	
	Other expenses	431.27	473.17	512.27	1,416.72	421.73	430.19	479.72	1,331.64		421.73	430.19	479.72	1,331.64	
	Technical Service Fee	23.65	23.65	23.65	70.96	28.73	38.87	38.87	106.47		28.73	38.87	38.87	106.47	
	Total	**3,709.75**	**4,356.14**	**4,873.88**	**12,939.77**	**3,428.78**	**4,173.43**	**5,104.25**	**12,706.45**	**-1.8%**	**3,428.78**	**4,173.43**	**5,104.25**	**12,706.45**	**-1.8%**
III	Depreciation	1694.58	1969.22	2737.28	6,401.09	1,462.19	1,494.12	1,376.83	4,333.14	-32.3%	1,462.19	1,494.12	1,376.83	4,333.14	-32.3%
IV	**Overheads**														
	Management & Administration	1206.26	1278.64	1355.35	3,840.25	1,384.02	1,591.79	1,647.73	4,623.54		1,384.02	1,591.79	1,647.73	4,623.54	
	Preliminary expenses & Upfront Payment write-off	12.53	12.53	12.53	37.58	12.53	12.53	12.53	37.58		12.53	12.53	12.53	37.58	
	Total	**1,218.79**	**1,291.16**	**1,367.88**	**3,877.83**	**1,396.54**	**1,604.32**	**1,660.25**	**4,661.11**	**20.2%**	**1,396.54**	**1,604.32**	**1,660.25**	**4,661.11**	**20.2%**
V	**Operating Surplus / (Deficit) (I) – (II)**	**1,252.91**	**1,621.60**	**1,576.41**	**4,450.92**	**2,413.20**	**2,754.18**	**6,682.08**	**11,849.47**	**166.2%**	**2,413.20**	**2,754.18**	**6,682.08**	**11,849.47**	**166.2%**
VI	**Finance & Miscellaneous Income (FMI)**														
	Others	25.00	25.00	25.00	75.00	38.57	35.08	114.51	188.16		38.57	35.08	114.51	188.16	
	Total	**25.00**	**25.00**	**25.00**	**75.00**	**38.57**	**35.08**	**114.51**	**188.16**	**150.9%**	**38.57**	**35.08**	**114.51**	**188.16**	**150.9%**
VII	**Finance & Miscellaneous Expenses (FME)**														
	Contribution of Provident Fund	86.77	91.97	97.49	276.23	87.66	98.47	148.23	334.36		87.66	98.47	148.23	334.36	
	Loss on sale of assets and others					39.14	214.73	2.70	256.57		39.14	214.73	2.70	256.57	
	Foreign Exchange loss on repayment of foreign currency loans based on review application by VCTPL	-	-	-	-	-	-	-	-	-	495.66	-	1,253.09	1,748.75	
	Total	**90.04**	**99.04**	**108.95**	**298.03**	**126.80**	**313.20**	**150.93**	**590.93**	**98.3%**	**622.46**	**313.20**	**1,404.02**	**2,339.68**	**685.0%**
VIII	FMI Less FME (VI) - (VII)	(65.04)	(74.04)	(83.95)	(223.03)	(88.23)	(278.12)	(36.42)	(402.77)		(583.89)	(278.12)	(1,289.51)	(2,151.52)	
IX	**Surplus Before Interest and Tax (V) + (VIII)**	**1,187.87**	**1,547.55**	**1,492.46**	**4,227.89**	**2,324.98**	**2,476.07**	**6,645.65**	**11,446.70**	**170.7%**	**1,829.31**	**2,476.07**	**5,392.57**	**9,697.95**	**129.4%**
X	**Capital Employed**	11729.23	12681.61	17419.66	13,943.50	10,852.24	10,773.30	9,515.58	10,380.37	-25.6%	10,852.24	10,773.30	9,515.58	10,380.37	-25.6%
XI	**Return on Capital Employed @ 16%**	1876.68	2029.06	2787.15	6,692.88	1,736.36	1,723.73	1,522.49	4,982.58	-25.6%	1736.36	1723.73	1522.49	4,982.58	-25.6%
XII	Capacity Utilization	63.46%	71.30%	75.58%	70%	63%	74%	93%	76%	9.0%	63%	74%	93%	76%	9.0%
XIII	**ROCE adjusted for capacity**	1876.68	2029.06	2787.15	6,692.88	1,736.36	1,723.73	1,522.49	4,982.58	-25.6%	1,736.36	1,723.73	1,522.49	4,982.58	-25.6%
XIV	**Net Surplus / (Deficit) (IX) - (XIII)**	**(688.80)**	**(481.50)**	**(1,294.68)**	**(2,464.99)**	**588.63**	**752.34**	**5,123.16**	**6,464.13**	**-362.2%**	**92.97**	**752.34**	**3,870.07**	**4,715.38**	**-291.3%**
XIV	**Net Surplus / (Deficit) as a % of operating income (XIII/I in %)**	**-8.75%**	**-5.21%**	**-12.27%**	**-8.74%**	**6.77%**	**7.50%**	**34.56%**	**16.28%**	**-286.2%**	**1.07%**	**7.50%**	**26.11%**	**11.56%**	**-232.2%**
XV	**Average Net Surplus / (Deficit) as a % of operating income**		**-8.74%**				**16.28%**					**11.56%**			
XVI	**Cost savings due to efficiency improvement**	1.62	2.02	2.27	**5.91**	**-**	**-**	**-**	**-**		-	-	-	-	
XVII	**Set off of past period surplus for the period 2011-12 to 2013-14 accrued to VCTPL as per Review Application and as per TAMP calculation**	**65.80**	**65.80**	**65.80**	**197.41**	**0.00**	**0.00**	**0.00**	**0.00**		-	-	-	-	
XVIII	**Total surplus/ (deficit) (XIII-XVI)**	**-624.62**	**-417.72**	**-1231.15**	**(2,273.49)**	**588.63**	**752.34**	**5,123.16**	**6,464.13**		**92.97**	**752.34**	**3,870.07**	**4,715.37**	
XIX	**Net Surplus / (Deficit) after ajdustment of past period surplus as a % of operating income (XVIII/I in %)**	**-7.93%**	**-4.52%**	**-11.66%**	**-8.04%**	**6.77%**	**7.50%**	**34.56%**	**16.28%**		**1.07%**	**7.50%**	**26.11%**	**11.56%**	
XX	**Average Net Surplus / (Deficit) as a % of operating income**		**-8.04%**				**16.28%**					**11.56%**			

ANNEX - II

VISAKHA CONTAINER TERMINAL PRIVATE LIMITED
Consolidated Income & Cost statement

₹ in Lakhs

Sr. No.	Particulars	Actuals			Estimates considered by TAMP in November 2017 Order				Estimates considered by TAMP in November 2017 Order modified based on the Review Application			
		2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	Total	2017-18	2018-19	2019-20	Total
	Traffic (In TEUs)	**248163**	**291621**	**366,683**	400,000	**450,000**	**474,500**	**1,324,500**	**388,289**	**416,000**	**436,000**	**1,240,289.00**
	Optimal Capacity	395500	395500	395500	474500	474500	474500	1,423,500	474,500	474,500	474,500	1,423,500.00
I	**Total Operating Income**											
	Container handling income	7,702.23	8,676.99	12,294.66	12,061.64	13,566.34	14,301.03	39,929.01	11708.19	12540.51	13139.80	37,388.50
	Others	998.48	1,349.06	2,528.75	2,185.38	2,258.67	2,348.46	6,792.51	2170.19	2214.58	2298.53	6,683.29
	Total	**8,700.71**	**10,026.05**	**14,823.41**	**14,247.01**	**15,825.01**	**16,649.50**	**46,721.52**	**13878.38**	**14755.09**	**15438.33**	**44,071.79**
II	**Operating Costs (excluding depreciation)**											
	Operating & Direct Labour	285.96	345.51	375.71	461.88	480.54	490.16	1,432.58	461.88	480.54	490.16	1,432.58
	Maintenance Labour	342.09	388.56	407.31	490.68	543.09	553.99	1,587.76	490.68	543.09	553.99	1,587.76
	Equipment Running Costs	1,015.01	1,228.08	1,469.13	1,630.67	2,115.17	2,263.29	6,009.12	1620.39	2137.54	2281.98	6,039.91
	Royalty / revenue share	425.60	670.62	898.37	980.00	1,515.94	1,743.79	4,239.73	951.31	1401.40	1602.30	3,955.01
	Equipment Hire	736.94	905.97	1,237.28	1,302.56	1,431.25	1,514.01	4,247.83	1277.99	1358.47	1429.95	4,066.40
	Lease Rentals payable	94.09	85.30	101.35	468.14	477.50	487.05	1,432.70	468.14	477.50	487.05	1,432.70
	Insurance	78.64	80.34	96.51	112.44	283.97	331.54	727.96	112.44	283.97	331.54	727.96
	Other expenses	421.73	430.19	479.72	567.46	603.01	622.64	1,793.10	564.19	593.33	611.45	1,768.96
	Technical Service Fee	28.73	38.87	38.87	61.77	61.77	61.77	185.32	61.77	61.77	61.77	185.32
	Total	**3,428.78**	**4,173.43**	**5,104.25**	**6,075.61**	**7,512.25**	**8,068.25**	**21,656.10**	**6,008.80**	**7,337.61**	**7,850.20**	**21,196.61**
III	Depreciation	1,462.19	1,494.12	1,376.83	1,666.10	3,196.23	3,383.07	8,245.40	1,666.10	3,196.23	3,383.07	8,245.40
IV	**Overheads**											
	Management & Administration	1,384.02	1,591.79	1,647.73	1,680.68	1,714.29	1,748.58	5,143.55	1680.68	1714.29	1748.58	5,143.55
	Preliminary expenses & Upfront Payment write-off	12.53	12.53	12.53	12.53	12.53	12.53	37.58	12.53	12.53	12.53	37.58
	Total	**1,396.54**	**1,604.32**	**1,660.25**	**1,693.21**	**1,726.82**	**1,761.10**	**5,181.13**	**1,693.21**	**1,726.82**	**1,761.10**	**5,181.13**
V	**Operating Surplus / (Deficit) (I) – (II) –**	**2,413.20**	**2,754.18**	**6,682.08**	**4,812.10**	**3,389.72**	**3,437.07**	**11,638.89**	**4,510.27**	**2,494.43**	**2,443.96**	**9,448.65**
VI	**Finance & Miscellaneous Income (FMI)**											
	Others	38.57	35.08	114.51	15.00	15.00	15.00	45.00	15.00	15.00	15.00	45.00
	Total	**38.57**	**35.08**	**114.51**	**15.00**	**15.00**	**15.00**	45.00	**15.00**	**15.00**	**15.00**	45.00
VII	**Finance & Miscellaneous Expenses (FME)**											
	Contribution to Provident Fund	87.66	98.47	148.23	151.19	154.22	157.30	462.72	151.19	154.22	157.30	462.72
	Loss on sale of assets and others	39.14	214.73	2.70								
	Foreign Exchange loss on repayment of foreign currency loans based on review application by VCTPL	495.66	-	1,253.09								
	Total	**622.46**	**313.20**	**1,404.02**	**163.05**	**179.36**	**197.30**	539.71	**163.05**	**179.36**	**197.30**	539.71
VIII	FMI Less FME (VI) - (VII)	(583.89)	(278.12)	(1,289.51)	(148.05)	(164.36)	(182.30)	(494.71)	(148.05)	(164.36)	(182.30)	(494.71)
IX	**Surplus Before Interest and Tax (V) + (VIII)**	**1,829.31**	**2,476.07**	**5,392.57**	**4,664.04**	**3,225.36**	**3,254.78**	**11,144.18**	**4,362.22**	**2,330.07**	**2,261.66**	**8,953.94**
X	Capital Employed	10,852.24	10,773.30	9,515.58	23,091.81	21,103.73	21,902.78	22,032.77	23091.81	21103.73	21902.78	22,032.77
XI	Return on Capital Employed @ 16%	1736.36	1723.73	1522.49	3694.69	3376.60	3504.44	10,575.73	3694.69	3376.60	3504.44	10,575.73
XII	Capacity Utilization	62.75%	73.73%	92.71%	84.30%	94.84%	100.00%	0.93	81.83%	87.67%	91.89%	87.13%
XII	RoCE adjusted for capacity utilization	1736.36	1723.73	1522.49	3,694.69	3,376.60	3,504.44	10,575.73	3694.69	3376.60	3504.44	10,575.73
XIII	**Net Surplus / (Deficit) (IX) - (XII)**	**92.97**	**752.34**	**3870.07**	**969.35**	**(151.24)**	**(249.67)**	**568.45**	**667.53**	**-1046.53**	**-1242.78**	**(1,621.79)**
XIV	**Estimated surplus of 2017-18 adjusted on pro-rata basis for 12 months over the years 2018-19 and 2019-20**	-	-	-	807.79	403.90	403.90		556.27	278.14	278.14	
XV	**Net Surplus / (Deficit) (XIII) - (XIV)**	92.97	752.34	3,870.07	161.56	252.66	154.23	**568.45**	111.25	-768.39	-964.65	**(1,621.79)**
XV	**Net Surplus / (Deficit) as a % of operating income (XIII/I in %)**	**1.07%**	**7.50%**	**26.11%**	**1.13%**	**1.60%**	**0.93%**		**0.80%**	**-5.21%**	**-6.25%**	
XVI	**Average Net Surplus / (Deficit) as a % of operating income**	**11.56%**			**1.22%**				**-3.55%**			

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/7/2018-VCTPL - Review Application filed by the Visakha Container Terminal Private Limited (VCTPL) for review of the Order No.TAMP/28/2017-VCTPL passed by the Authority on 14 November 2017 in respect of general revision of Scale of Rates of VCTPL.

A summary of the comments received from Visakhapatnam Port Trust (VPT) and users/ user organisations and reply furnished by Visakha Container Terminal Private Limited (VCTPL) thereon are tabulated below:

Sl. No.	Comments received from VPT and users/ user organisations	Reply furnished by VCTPL
1.	**Visakhapatnam Port Trust (VPT)**	
(i).	TAMP's guidelines for Regulation of Tariff at Major Ports, 2005 does not mention about the acceptance of Foreign exchange fluctuation cost as a "cost" for tariff fixation. Hence, stand taken by TAMP is in conformity to the guidelines and is in order.	VPT has commented presumably on the foreign exchange gain or loss arising on account of restatement of loan/ assets/ expenses not to be considered while determining the tariff. However, in accordance with the Form 3A, Loss, if any, on repayment of foreign currency loan due to exchange rate fluctuations will be limited to installment payment during the corresponding year. VCTPL has already furnished the Annual Report and payment advices to substantiate the forex loss to be compensated. Therefore, in our considered opinion the forex loss needs to be taken into consideration by TAMP.
(ii).	The VPT stands by the Traffic projections furnished by it. Following is submitted to substantiate VPT's stand for the traffic projection. The projections are in line with the study carried out by the experts in the field. Container traffic at VPT registered a CAGR of more than 10% during 2012-13 to 2016-17. The traffic projection in respect of container cargo contained in Master Plan Report for Visakhapatnam Port prepared by M/s.AECOM for FY20, FY25 and FY35 are 0.49, 0.61 and 1.02 million TEUs respectively. The growth considered in the Master Plan was also 10% i.e. from 0.37 million TEUs in FY17 to 0.49 million TEUs in FY20. As such, it is prudent to consider 10% growth in container traffic YoY. The container traffic projections for the years 2017-18, 2018-19 and 2019-20 considered as 4.00, 4.50 and 4.90 lakh TEUs respectively basing on the above trend are found to be rational and realistic.	On Traffic projections, we still believe that due to stiff competition from neighboring ports, VPT projected numbers are very much on higher side. Therefore, we request the Honourable Authority to re-consider volume and revenue projections as projected by us only.

	With regard to the optimal capacity of the container terminal it may be stated that the PPP operator has recently procured two new RMQCs and Reach Stackers which may enhance the existing capacity.	
(iii).	The escalation in unit cost of power @ 2% per annum considered by TAMP is reasonable.	On the escalation of Power cost by 2% YoY, we request the Honourable Authority to reconsider our proposed escalation of 10%, as it is one of the key components of our major cost which affects the entire cost structure for the entire tariff cycle. This is based on past experience.
(iv).	Visakhapatnam is considered as one of the five cities by Govt. of India for implementing daily market rate for fuel. Gradual increase of fuel cost is observed in recent times and hence, escalation in fuel cost may be permitted, based on actual increase on fuel cost, as 2% escalation may not address the actual increase in cost.	On escalation of fuel cost, VPT authorities have rightly pointed out our concern that 2% escalation may not address the actual increase in cost. This is also one of the key components of our major cost which affects the entire cost structure for the entire tariff cycle.
2.	**Visakhapatnam Container Lines Association (VCLA)**	
(i).	With regard to WPI and Foreign Exchange losses mentioned, being an internal and technical matter, VCLA has requested TAMP to review in detail before considering general revision of SOR of VCTPL.	The Forex loss incurred at the time re-payment of loan which has been substantiated with Annual Report and Payment proof. Please consider it for revision of our Tariff.
(ii).	With regard to traffic, since nearby ports with container terminals are coming up and targeting the same cargo, any increase in costings will lead to cargo being diverted to neighboring upcoming terminals viz. Kakinada, Paradip and Kakinada.	The VCLA has reiterated our concern of higher traffic projections which may not be achieved.
(iii).	Also updating, no new industries/ commodities has set up facilities in Vizag or hinterlands, to increment the volumes. Hence, VCLA on behalf of the container and liner trade, request to maintain the existing SOR to maintain the Vizag volumes.	No comments furnished by VCTPL.

2. A joint hearing in this case was held on 25 April 2018 at the VPT premises. The VCTPL made a power point presentation of its Review Application. At the joint hearing, the VCTPL and VPT have made the following submissions:

<u>Visakha Container Terminal Private Limited (VCTPL)</u>

(i). VCTPL sought for revision of rates only in composite handling rate. But, the Authority has maintained status quo in the SOR.

(ii). We have, therefore, filed this review application on 3 points.

(iii). The first point for review is to consider forex loss of ₹18.37 crores incurred at the time of repayment of foreign currency loan in the year

2016-17. The foreign currency loan was taken by VCTPL in the years 2011-12 and 2012-13 to procure 2 RMQCs, 4 RTGCs spreaders and capital spares.

(iv). In the past cases, forex loss on account of actual transaction was admitted by the Authority while determining the tariff. Hence, forex loss incurred from actual transaction to the tune of ₹18.37 crores may be considered.

(v). The Authority has considered traffic projections for the years 2017-18 to 2019-20 at 4,00,000 TEUs, 4,50,000 TEUs and 4,90,000 based on the traffic projected by VPT as against 3,69,000 TEUs, 3,84,000 TEUs and 4,00,000 TEUs projected by VCTPL.

(vi). The VPT perhaps estimated our traffic based on the AECOM report which is of the year 2014. The traffic projections made by VPT does not consider competition from Dhamra, Kakinada Ports and Paradip port. Paradip and Dhamra Port started functioning from the year 2018-19 and will start attracting more cargo of Vizag port by 2019-20.

(vii). As against 4.00 lakh TEU estimated for the year 2017-18, we handled 3,88,000 TEUs in actual terms.

(viii). We request the Authority to re-consider the traffic as projected by us.

(ix). Escalation of 2% per annum towards Employee cost, power cost, Fuel cost is very low. Compared to 2016-17, Fuel cost has gone up by 17%, power cost by 8% and employee cost by 11%. Minimum wage cost has gone up by 44% last year.

Visakhapatnam Port Trust (VPT)

(i). Why VCTPL is not taking power from VPT which is around ₹5.50/ unit. It is cheaper than power procured by VCTPL. VCTPL may go for 5 years contract. We are giving to Essar Vizag Terminal Limited (EVTL) and Vedanta (VGCBPL)
[VCTPL: The conditions of VPT are stringent. We will, however, examine it.]

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