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Tariff Authority for Major Ports

G.No. 78 **New Delhi,** **26 February 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 proposal received from the Vizag Seaport Private Limited for general revision of its Scale of Rates for operation of berths EQ-8 and EQ-9 at the Visakhapatnam Port Trust as in the Order appended hereto.

(T.S. Balasubramanian)
Member (Finance)

Tariff Authority for Major Ports
Case No. TAMP/19/2017-VSPL

Vizag Seaport 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 19th day of January 2018)

This case relates to the proposal dated 10 February 2017 received from the Vizag Seaport Private Limited (VSPL) for general revision of its Scale of Rates (SOR) for berths EQ-8 and EQ-9 operated by VSPL at the Visakhapatnam Port Trust (VPT).

2. The existing SOR of the VSPL was approved by this Authority vide Order No.TAMP/18/2014-VSPL dated 15 May 2015 which was notified in the Gazette of India on 9 June 2015 vide Gazette No.218. The validity of the SOR was prescribed till 31 March 2017.

3. The VSPL vide its letter dated 10 February 2017 has filed its proposal for revision of tariff for the tariff cycle of three years from 2017-18 to 2019-20 based on actuals for 2014-15 to 2016-17 (upto 30.09.2016).

4. The VSPL, while filing its proposal for revision of its SOR, also requested to extend the validity of the existing SOR beyond 31 March 2017 or till approval of revised tariff proposal. In view of the request made by the VSPL, this Authority has extended the validity of the existing SOR vide Order No.TAMP/18/2014-VSPL dated 29 March 2017 till 30 June 2017 subject to the condition that surplus over and above the admissible cost and permissible return for the period post 01 April 2017, if any, will be setoff fully in the tariff to be determined.

5. The VSPL has thanked this Authority for issuing the letter dated 24 July 2015 communicating the opinion of Attorney General on interpretation of some of the provisions of Tariff Guidelines of 2005 issued by the Ministry of Shipping.

6.1. The highlights of the tariff proposal filed by VSPL are given below:

(i). VSPL operations and financial performance for the years 2014-15 and 2015-16 were seriously affected as the berths had to be shut down for several days on account of Capital dredging undertaken by VPT to deepen the channels and the Inner Harbour berths to -16.10 Meters. Coupled with this, there was declining cargo imports by steel and cement companies owing to depressed steel markets and non-revival of infrastructure sector. The company had to post a loss of ₹10.07 crores for 2016-17 leading to poor cash flow position. Owing to regular default to our lender in servicing our loan dues, no further borrowings could be raised for any Capex or working capital. In view of this, the projected Capex in additional land could not be pursued during the last tariff cycle. The additional land in EXIM Park was registered only in July 2015 and the basic infrastructure facilities like connecting road, rail line link, etc. are yet to be provided by the Licensor. Further, the allotment of additional land to all BOT operators in the vicinity of their terminal is also under consideration of VPT. Due to these uncertainties, our proposed Capex on development of additional land at EXIM Park has to be deferred for the time being.

(ii). Projected volume for 2017-18 to 2019-20 compared with actual volume for 2014-15 to 2016-17 are as under:

Year	2014-15	2015-16	2016-17 (6 months)	2017-18	2018-19	2019-20
Cargo volume in Million MTs	5.18	4.52	2.93	6.00	6.12	6.24

Above volume was projected taking into account the impact on our cargo volume post development of following new projects of VPT besides increasing competition from Gangavaram, Paradip and Dhamra Ports:

(a). Development of multi cargo berths EQ-2 to EQ-5 under BOT.

(b). Development of multi cargo berths at WQ-7 and WQ-8.

(iii). The VSPL has given notes for estimation of income and expenditure for the years 2017-18 to 2019-20 which are summarized below:

(a). The income projections were made based on the traffic projections made for the years 2017-18 to 2019-20. Traffic was estimated in line with cargo handled during 2014-15 to 2016-17. After taking into consideration the impact of competition from the other BOT berths, Gangavaram Port and neighboring ports, cargo projections for 2017-18 to 2019-20 have been estimated based on current level of handling.

(b). As per the short term agreement for handling of cargo with M/s.Steel Authority of India Limited, VSPL had agreed to provide integrated terminal services for an average rate of ₹178/- PMT, which is ₹28/Ton Less than the TAMP approved SOR during the period 2014 to 2016 (upto September 2016). Discount/ rebates offered as per the clause 2.16.1 and 2.16.2 is detailed below:

Period from	To	Qty. handled	Rate Collected	TAMP Rate	Discount	Discount Amount
1st April 2014	20th Sep 2014	4,27,001	166.50	206.70	40.20	1,71,65,440
21st Sep 2014	31st March 2015	10,85,208	189.90	206.70	16.80	1,82,31,494
1st April 2015	31st March 2016	14,05,183	189.90	206.70	16.80	2,36,07,074
1st April 2016	30th Sep 2016	8,49,752	167.50	206.70	39.20	3,33,10,291
		37,67,144	**178.45**	**206.70**	**28.25**	**9,23,14,300**

(c). Consequent effect on revenue on account of lower rates charged and or allowing of higher rebates and discounts for the period 2017-20 is detailed below:

Period from	To	Qty. Projected	Rate to be collected	TAMP Rate	Discount	Discount Amount
1st April 2017	31st March 2018	20,00,000	189.90	211.00	21.10	4,22,00,000
1st April 2018	31st March 2019	20,00,000	189.90	211.00	21.10	4,22,00,000
1st April 2019	31st March 2020	20,00,000	189.90	211.00	21.10	4,22,00,000
		60,00,000	**189.90**	**211.00**	**21.10**	**12,66,00,000**

As explained above an amount of ₹12.66 crores, notional income has been estimated in projections. Since we have an agreement with M/s.Steel Authority of India Limited for ₹167.5/- PMT (all inclusive) and we intend to offer our services at ₹189.90 PMT in our next agreement, it is requested that the above notional income may not be considered in tariff revision.

(d). The income and expenditure is estimated for the quantities handled by different type of operations. HMC deployment is about 91% and vessel gear is 9%. Other than ITSC (Material Handling system), services availed by users are Stevedoring services 100%, deployment of cranage for 88% and shore handling services for 60%. Accordingly, expenditure is also estimated.

(e). Plot rent estimated for the quantity estimated for shore operations i.e., 60% of traffic projected other than BHMS cargo. 100% Revenue is projected for cargo to be handled through BHMS. Plot rentals are estimated on estimated dwell time of 15 days (fortnight) and 30 days (two fortnights) in respect of particular cargoes. Additional plot rentals for 20% of cargo for more than 2 fortnights.

(f). Weighment charges are estimated for 50% of projected cargo.

(g). Berth hire charges are estimated based on average rate of discharge achieved, average GRT of vessels and rupee exchange rate at ₹68.

(h). Tarpaulin coverage charges are estimated at ₹5 PMT for entire BMHS quantity and 60% of quantity (excluding BMHS Qty.), where shore handling services will be availed by customers.

(i). Escalation is estimated at 2.46% as per the TAMP order for the year 2016-17.

(j). Expenditure on account of direct labour for onboard and shore operations is estimated in respect to traffic based on actual amount being paid to contractors with escalation.

(k). Expenditure on account of maintenance labour is estimated at current year's expenditure in view of inclusion of additional labour for tarpaulin coverage. Company has given a lumpsum contract for supply of labour on daily basis and engaging labour from market for additional labour for tarpaulin coverage as and when required. Operation and Maintenance of BMHS is estimated as per the revised work order with an escalation rate of 2.46%.

(l). Expenditure for power cost is estimated for traffic projected for Bulk material handling with an escalation of 2.46%.

(m). Fuel is estimated on actuals incurred during the current tariff cycle with an escalation of 2.46% for the quantity to be handled by harbor mobile cranes and through bulk material handling system.

(n). Repairs and maintenance is estimated at average based on actuals incurred for last 2.5 years with an escalation of 2.46% except AMC. During the current year, Leibherr OEM has quoted very high rate to continue AMC due to age of the cranes and also excluded important parts from AMC supply. In view of exclusion of important spares, company has decided not to go for AMC and maintain these cranes departmentally. Expenditure is estimated at rate on which AMC was paid to Leibherr for next 3 years with an escalation of 2.46%. Company is of the view that the estimated amount shall be sufficient to meet the repairs and maintenance of Harbour Mobile cranes.

(o). Due to channel deepening works carried out by VPT during the last 2 years, VSPL has not incurred any expenditure on account of maintenance dredging. Now desired draft has been achieved and regular maintenance is needed. VSPL has estimated maintenance dredging at one shift per berth per month. We are engaging port dredgers for maintenance dredging in front of our berths. VPT is charging us shift wise rates for deployment of their crafts instead of tonnage basis. Hence, we have estimated 24 shifts for year for dredging purpose at the rate of ₹425,602 per shift with escalation.

(p). Royalty to port is estimated at the rate of 12.811% as per the Tariff guidelines.

(q). Hire charges of HMC are estimated at 55% of total deployment of HMCs. Estimated crane deployment for next 3 years is 91% out of which 55% is estimated for hired cranes at existing rate with escalation of 2.46%.

(r). Handling equipment charges are estimated in line with quantity projected for shore handling operations i.e., 60%. Equipment for onboard operations is estimated for 100% quantity. Internal shifting for the purpose of space arrangements is estimated at 20% of total cargoes.

(s). Lease rents are estimated at actuals to be paid to VPT at rates being paid to VPT. Revised tariff of lease rentals notified by TAMP is not considered as the same applies only for 11 months lease plots. Our contention is separate tariff shall be fixed for BOT operators who are allotted lands on long term license basis.

(t). Insurance for terminal is estimated for replacement cost instead of depreciated cost. Actual insurance premium paid for the year 2016-17 is taken into expenditure.

(u). Other expenses are estimated at actual to be paid to respective authorities and vendors.

(v). Management and administrative overheads are estimated based on actuals paid for 1st half year with an escalation of 2.46%.

(w). Preliminary expenses amortized as per the tariff guidelines. Upfront fee was excluded from gross block of vessel related activity as per the guidelines and preliminary expenses allocated to vessel related activity.

(x). Working capital estimated as per the tariff guidelines is considered.

(y). Form 4A shows addition to gross block to the tune of ₹4.984 crores. The VSPL has stated that balance berth strengthening works is carried out in 2017-18.

(iv). Apart from the above, VSPL has submitted with regard to estimation of expenditure under the head lease rentals to VPT that they are protesting before VPT that the License fee rate as fixed by TAMP for cargo stocking in open area as per their Order dated 15 January 2016 shall not be applied to VSPL (BOT Terminal) in view of the following facts and justifications:

(a). The License Agreement of VSPL with VPT provides for payment of land lease rentals as per SOR of VPT prevailing from time to time. SOR is also defined as, "The SOR approved from time to time by TAMP under the provisions of the MPT Act."

(b). The SOR of VPT is fixed by TAMP under Section 48 for various services done in respect of goods and vessels which includes Storage of goods [Section 48(d)]. TAMP also fixes Schedule of Rates under Section 49 for use of properties of VPT which includes leasing of land by owners of goods imported or intended for export or by Steamer agents. VSPL is authorized by VPT u/s 42(3A) to perform the functions of VPT specified under section 48 of the MPT Act as its Licensee under the BOT scheme for Major Ports. The lands allotted for VSPL by VPT in pursuance of the License Agreement entered on 28 November 2001 are called, "Licensor Assets" and they are not leased assets.

(c). The rentals for the land component of VSPL was hitherto collected as per SOR of VPT fixed under section 48 of the MPT Act in accordance with the License Agreement of VSPL on Cost Plus method following the principles under the Tariff Guidelines, 2005 i.e. cargo stocking in open area for storage of goods under section 48(d). Thus, the license fee fixed for open cargo storage as prescribed by TAMP in Section 6 of the SOR of VPT was collected from VSPL. This being the position since the time of submission of our bid, our business model was built based on this conditions specified in the bid document. The License Agreement, as approved by Ministry of Shipping, was also entered.

(d). For the first time, the tariff of license fee for cargo storage has been fixed by TAMP for the open cargo stockyards of VPT under section 49 of the MPT Act as per the Land Policy 2014 Guidelines based on market value of the lands. Thus, the said tariff was not fixed under the Tariff Guidelines, 2005 or the latest Tariff Guidelines, 2015 applicable for Major Ports. In other words, VPT hitherto fixing the rate for open cargo storage in its SOR para under Section 6, has delinked the said license fee for prescription of the same as Schedule of Rent based on market value of land as per Land Policy, 2014. Accordingly, TAMP has fixed the tariff of license fee for cargo storage upto 11 months period in its Order No.TAMP/48/2014-VPT dated 15 January 2016 and also prescribed under para 18(xii)(c) of its Tariff Order notified on 22 July 2016 for revision of VPT's General SOR that for collection of tariff in respect of license fee for cargo storage upto 11 months under Section 6 of SOR, following clause shall be inserted:
"License for open space will be as per Schedule of Rent approved by this Authority in Order No.TAMP/48/2014-VPT dated 15 January 2016."

(e). Such a change in policy in tariff fixation is inconsistent with provisions of our License Agreement and has resulted in exorbitant rise in payment of land rentals by VSPL by 590%. However, VPT vide its circular dated 1 July 2016 has given discount reducing this rate from ₹6.21 per sq.m. per week to ₹3.11 per sq.m. per week w.e.f. 6 May 2016. This tariff fixed as Schedule of Rent for temporary license period upto 11 months is not applicable for BOT lands in view of the following facts and reasons:

(i). Lands allotted under BOT scheme are long-term licenses and not long-term leases even though a Lease Agreement is entered as a supplementary part of the License Agreement for the land component of the Project for the purpose of specifying the periodical rental payments. While the lease deed creates an interest or transfer an interest in the property in favour of the Lessee during the period of lease, the license is only a permission to use or occupy the premises and to do certain things or acts which otherwise would not be permissible. Lands allotted to a BOT operator can be used only for development and operation of project facilities and services under the control of VPT and therefore there is no transfer of any interest in favour of the Licensee in respect of the lands allotted for VSPL project. Thus, taking the substance of the agreement over form and intention of the parties (VSPL and VPT), the lands allotted to VSPL are long-term license only. These interpretations are also in line with the definition of lease and license specified under para 14 of the Land Policy, 2014. The tariff now fixed for allotment of land as per Tariff Order dated 15 January 2016 covers license fee for periods upto 11 months only and the tariff order dated 27 December 2016 for fixing lease rentals of lands of VPT for the quinquennium period 2013-18 covers only long term lease lands and not for lands allotted on long term license basis. VPT itself has clarified in its proposal sent to TAMP in IENG/Estate/SOR/TAMP/967 dated 18 July 2016 that the licensee fee approved by TAMP in its Order dated 02 March 2016 is for cargo stocking for not more than 11 months and the current proposal is for allotment of land on long term lease. (No mention about lands under long term license basis.)

(ii). At the time of allotment of land for VSPL, Land Policy, 2004 was in vogue. Para 4 of this Land Policy, 2004 clearly specifies as, “This policy for land allotment would not be applicable to BOT projects for which separate guidelines already exist.” The current Land Policy, 2014 based on which the enhanced license fee for open cargo storage has been now fixed also specifies, vide para 12, that these policy guidelines for land allotment would be applicable to all <u>New</u> PPP projects also. For such projects approval of the project by the competent authority will be taken as approval for the license of the land component of the project. Further, para 16.2(f) of Land Policy, 2014 Guidelines provides that in respect of PPP projects, the annual lease rent based on updated/ latest market value with the approved rate of annual escalation would be indicated to the bidders at the bidding stage itself. Thus it is clear that the Land Policy Guidelines, 2014 is applicable only for new BOT projects implemented post this policy and not for existing BOT projects. Hence any tariff fixed based on the said Guidelines is not applicable for VSPL being an existing BOT Project for which the methodology of revision of land rentals is already prescribed in its License Agreement. It is pertinent to note that in the tariff order for approving the tariff of VPT for collection of Licensee fee for open cargo storage, TAMP has specified as, “By abundant caution, this Authority would like to state that the note inserting Licensee fee for open space should not be construed as according approval to any matter flowing from the individual lease agreement as this Authority does not interfere in the individual lease agreements entered by Major Ports with individual lessees.” In other words, TAMP has not specified that the approved tariff is applicable for lands licensed to BOT operators.

(iii). Vide para 17 (xvi) of the Tariff Order of TAMP dated 27 December 2016 for fixation of quinquennial lease rentals of lands, both VPT and TAMP have agreed that there is no separate methodology prescribed in the Land Policy Guidelines for arriving the land lease rentals of BOT operators and hence VPT cannot apply any separate methodology/ formula not prescribed in the Land Policy Guidelines, 2014. It is also pertinent to note that under para 3(v)(x)(b) of its proposal, VPT has, inter alia, stated that a separate policy may have to be considered for allotment of additional lands to BOT/ PPP operators for whom lands are on nomination basis. Same logic applies for original allotment of lands to BOT operators. In other words, in the absence of specific guidelines in Land Policy, 2014, for adoption of any methodology/ formula for fixing land rentals of BOT and also the provisions in the License Agreement having become redundant due to fixing Schedule of Rates by TAMP as per Land Policy, 2014 instead of SOR under Cost Plus method of Tariff guidelines envisaged in the License Agreement, the proper course would be to seek clarification from the Government in terms of para 20(vii) of the Land Policy Guidelines, 2014 regarding the methodology/ formula to be adopted for revising land rentals of BOT operators.

(iv). Hence, till the clarification is received from Government on the methodology of revising the land rentals of BOT operators, the tariff fixed under tariff Order dated 15 January 2016 shall not be applied for VSPL. In this connection, it may also be noted that adoption of a different methodology post signing and operation phase of the license period based on change in Guidelines, Policies of the Government amounts to “Change in Law” in terms of Article 8.1 of License Agreement of VSPL and the adverse effect of such Change in Law shall be mitigated to the Licensee based on modifications proposed by the Licensee.

In view of our above reasoning and justifications, VSPL has provided land rentals at the current rate of ₹0.90/ sq. m./ week in the expenditure estimations for the period 2017-18 to 2019-20. VSPL may be permitted to claim this expenditure at actuals in due course of time depending on future outcome of our contention based on decisions of the Port and Government Authorities.

(v). The capital expenditure of ₹16.08 crores incurred in 2009-10 towards capital dredging for widening of entrance and inner harbour channel was not allowed by the authorities on the ground that the same is not in line with the provisions of License Agreement. Subsequently, VPT commenced dredging all its channels to - 16.10 mtrs. to enable berthing of vessels with arrival draft to - 14.5 mtrs. This was started in June 2013 and completed in March 2016.

A supplementary License Agreement was entered by VPT with VSPL on 20 June 2015 as part of main License Agreement allowing VSPL to dredge its berths EQ-8 and EQ-9 to - 16.10 mtrs. at its cost. Accordingly, VSPL completed its berth front dredging to - 16.10 mtrs.

VSPL has submitted that its initial capex of ₹16.08 crores has contributed and enabled VPT in its capital dredging to - 16.10 mtrs. Further, in view of entering of supplementary License Agreement now entered by VSPL with VPT, the capex earlier disallowed by authorities for want of provisions in License Agreement may be re-considered and same please be allowed now by the Authorities.

6.2. The other submissions made by VSPL in its proposal are as follows:

(i). VSPL as the first Multicargo terminal in Visakhapatnam Port could not earn the permissible 16% ROCE so far. The shortfall in our return up to 2015-16 is ₹182.01 crores. This is mainly caused due to:

(a). Absence of level playing field due to fixation of lower tariff for neighbouring berths of VPT under tariff guidelines, 2005 and treating discounts granted to customers to survive in the competition as notional income.

(b). Inadequate draft to handle even a fully laden handymax vessel.

(c). Abnormal delay in completion of dredging by Licensor to -14.5 meters by more than 7 years.

(d). Abnormal delay in allotment of additional land by Licensor for more than 8 years.

(ii). VSPL has also submitted that due to disallowance of discounts to customers in earlier tariff cycle, substantial reduction in tariff was made and the berth hire increase requested in tariff cycle up to 31 March 2014 was not granted.

6.3. The overall cost position for the years 2014-15 to 2016-17 (6 months) based on actuals and the estimates for the years 2017-18 to 2019-20 at the existing tariff as per the cost statement furnished by the VSPL is tabulated below:

(**₹ in lakhs**)

Sl. No.	**Particulars**	**Actuals**			**Estimates**		
		2014-15	**2015-16**	**2016-17 (for 6 months)**	**2017-18**	**2018-19**	**2019-20**
(i).	**Traffic (in MMT)**	5.18	4.52	2.93	6.00	6.12	6.24
(ii).	Total operating Income	11431.96	10563.77	6285.82	12105.55	12347.66	12592.04
(iii).	Total Operating Cost (including depreciation, management overheads and FMI – FME)	9036.33	9385.88	4915.79	10195.92	10499.06	10819.32
(iv).	Capital Employed	20976.99	20859.25	19643.49	19375.38	17830.95	16295.65

Sl. No.	Particulars	Actuals			Estimates		
		2014-15	2015-16	2016-17 (for 6 months)	2017-18	2018-19	2019-20
(v).	ROCE	3356.31	3337.48	1571.47	3100.06	2852.95	2607.30
(vi).	**Net Surplus/ (Deficit)**	**(960.68)**	**(2159.59)**	**(201.44)**	**(1190.43)**	**(1004.35)**	**(834.57)**
(vii).	Net Surplus/ (Deficit) as % of operating income	(-)8.40%	(-)20.44%	(-)3.20%	(-)14%	(-)13%	(-)11%
(viii).	Average net surplus/ deficit in % for three years	(-)10.68%			(-)12.68%		

6.4. To summarise, the tariff proposal of VSPL is as follows:

(i). No change proposed in Berth Hire rate.

(ii). Increase proposed in Wharfage rates in respect of following commodities:

Name of Cargo	Current Rate (₹ per tonne)	Proposed Rate (₹ per tonne)	Remarks
Coal	37.00	39.00	On par with VPT rate
Fertilizers	32.50	41.25	On par with VPT rate
Limestone	33.65	36.00	On par with VPT rate

(iii). Increase proposed in shore handling charges from existing ₹45/ tonne to ₹65/ tonne.

(iv). No increase proposed in Crane Hire charges.

(v). Increase proposed in Dust suppression charges from ₹1.50/ tonne to ₹2/ tonne.

(vi). Introduction of Tarpaulin charge at ₹5/ tonne.

(vii). Existing tariff viz. Siding and Maintenance charge of ₹3.20/ tonne is proposed to be withdrawn.

6.5. The VSPL has filed its proposal in the prescribed format indicating the actuals/ estimates for the year 2014-15 to 2019-20 along with the Audited Balance Sheets for the years 2014-15 and 2015-16 and proposed SOR. The VSPL furnished unaudited financials for the period from April 2016 to September 2016.

7. In accordance with the consultative procedure prescribed, the proposal of VSPL dated 10 February 2017 was forwarded to the VPT and concerned users/ user organisations seeking their comments. We have not received any comments till issue of this Order from any users/ user associations, despite a reminder.

8. A joint hearing in this case was held on 26 April 2017 at the VPT premises. The VSPL made a brief power point presentation of its proposal. At the joint hearing, the VSPL, VPT and the concerned users/ organisation bodies have made their submissions.

9.1. Based on the preliminary scrutiny of the proposal, the VSPL was requested vide our letter dated 28 June 2017 to furnish additional information/ clarifications on a few points by 12 July 2017.

9.2. After seeking extension of 30 days time to respond and after our regular follow-up, the VSPL vide its letter dated 05 October 2017 and subsequent emails dated 02 January 2018, 03 January 2018 and 04 January 2018 has furnished its reply. A summary of the additional information/ clarifications sought by us and the corresponding replies furnished by the VSPL is tabulated below:

Sl. No.	Information/ clarifications sought by us	Reply furnished by VSPL
A.	**GENERAL:**	
(1).	VSPL has furnished actual figures of	Figures have been updated based on actuals for

	traffic, income and expenditure only for the first six months of the year 2016-17 in the cost statements forwarded along with its proposal. Since the year 2016-17 is over, VSPL to update the figures with actuals for the year 2016-17 duly reconciling the figures with those reported in the audited Annual Accounts. A copy of the Audited Annual Accounts for the year 2016-17 also to be forwarded. Consequent to updating the figures of 2016-17 with actuals for the full year, the estimates for the subsequent years viz. 2017-18 to 2019-20 also to be reviewed and modified, if necessary, with reference to the actuals for the year 2016-17.	2016-17. Copy of the audited Annual Accounts for 2016-17 reconciling the figures with Actuals is enclosed. Based on actuals for 2016-17, estimates for 2017-18 to 2019-20 have been reviewed and suitably modified. Furnished in Appendix I, II and III.
(2).	As stipulated under clause 6.8. of the 2005 tariff guidelines, benchmark levels of productivity may be indicated and incentives may be proposed for better performance of the terminal and disincentive for performance below the benchmark level.	The said clause also provides that while fixing bench mark levels, local factors relevant to the port and seasonal variations will also be borne in mind. As pointed out in our last tariff proposal, VSPL as the first Bulk cargo Terminal faces several unique problems such as geographical location, nature of cargo, load condition, Restricted storage area, Non-availability of adequate Railway rakes for timely cargo evacuation, dwell time of cargo, stringent Environmental norms etc. Targeted productivity level has been indicated in Form 1. Despite this, VSPL offers following incentives to customers (a). Committed discharge rate of 18000 to 30000 (depending on cargo) resulting in minimum dwell time of vessel. (b). Limiting cargo losses to a maximum of 0.5% against the 2% cargo losses allowed under conventional operations. (c). Constant monitoring of moisture level of cargos and deliver on dry to dry basis without additional cost. (d). Online sampling and Analysis during discharge and dispatch of cargo. VSPL undertakes penalty commitment ranging from USD 8000 to 30000 if committed discharge rate is not achieved (Disincentive). In this regard, it may be noted that the expenditure of ₹5.08 crore from 2014-17 towards penalty for not achieving committed discharge rate, has been excluded and as such absorbed by VSPL as dis-incentive.
B.	**FINANCIAL/ COST STATEMENTS:**	
(1).	**Analysis of actuals vis-à-vis estimates for the past period (Form-7):**	
(i).	The estimates for the year 2016-17 considered by VSPL in Form 7 is not	**Increase / decrease approved by Authority during the last Tariff Order** | **Amount in Lakhs** | **15-16** | **16-17**

<table>
<tr><td></td><td>found to be as per the estimates considered by the Authority in Order No.TAMP/18/2014-VSPL dated 15 May 2015. This may be considered as in the said Order. The income estimates, however, to be adjusted to reflect the tariff increase/ decrease granted in the ibid Order for a like-to-like comparison.</td><td><table>
<tr><td>HMC Charges</td><td>1,673.63</td><td>688.14</td><td>985.49</td></tr>
<tr><td>Shore Handling</td><td>245.96</td><td>101.12</td><td>144.84</td></tr>
<tr><td>BMHS reduction</td><td>(121.50)</td><td>(48.60)</td><td>(72.90)</td></tr>
<tr><td>From Cargo Handling:</td><td>1,798.09</td><td>740.66</td><td>1,057.43</td></tr>
<tr><td>From Berth hire</td><td>1,846.32</td><td>722.13</td><td>1,124.19</td></tr>
<tr><td></td><td>3,644.41</td><td>1,462.79</td><td>2,181.62</td></tr>
</table>
The above amount was considered by Authority against total deficit of ₹58.07 Crores for the previous tariff cycle. Accordingly Form 7 was modified.</td></tr>
<tr><td>(ii).</td><td>As stated earlier, the actuals for the year 2016-17 given for six months to be updated with actuals for the full year reported in the Audited Accounts.</td><td>Figures have been updated based on actuals for 2016-17.</td></tr>
<tr><td>(iii).</td><td>The preliminary and upfront fee write off estimated in the cost statement in the last tariff Order is ₹33.10 lakhs for each of the years 2014-15 to 2016-17. The actual figure considered by VSPL is of ₹33.20 lakhs for the corresponding period. Please explain the reasons for mismatch in these figures. As it is write off amount on uniform basis, it should be uniform for all the years.</td><td>Total preliminary and upfront fee write off for the year is ₹33.10 Lakhs, which includes upfront fee write off of ₹30.78 Lakhs and preliminary expenditure written off of ₹2.32 Lakhs.

Figure updated.</td></tr>
<tr><td>(iv).</td><td>The rates approved by the Authority are ceiling levels. The VSPL may indicate the discount over the ceiling rates, if any, allowed by it during the years 2014-15 to 2016-17 other than for SAIL cargo for our reference and records. Also, clarify whether the actual income reported in the Annual Accounts for the years 2014-15 to 2016-17 are revenue realised at the ceiling level of tariff prescribed by the Authority or at the discounted level of tariff.</td><td>The actual income reported for the years 2014-15 to 2016-17 are the actual tariff collected from our customers.

The discount given to SAIL from the years 2014-15 to 2016-17 is given below:
<table>
<tr><th>Period from</th><th>To</th><th>Qty. handled</th><th>Rate Collected</th><th>TAMP Rate</th><th>Discount</th><th>Amount</th></tr>
<tr><td>1.4.2014</td><td>20.9.2014</td><td>4,27,001</td><td>166.50</td><td>206.70</td><td>40.20</td><td>1,71,65,440</td></tr>
<tr><td>21.9.2014</td><td>31.3.2015</td><td>10,85,208</td><td>189.90</td><td>206.70</td><td>16.80</td><td>1,82,31,494</td></tr>
<tr><td>1.4.2015</td><td>31.3.2016</td><td>14,05,183</td><td>189.90</td><td>206.70</td><td>16.80</td><td>2,36,07,074</td></tr>
<tr><td>1.4.2016</td><td>31.3.2017</td><td>1,613,828</td><td>167.50</td><td>206.70</td><td>39.20</td><td>63,262,081</td></tr>
<tr><td></td><td></td><td>4,531,220</td><td>178.45</td><td>206.70</td><td>28.25</td><td>122,266,090</td></tr>
</table></td></tr>
<tr><td>(v).</td><td>(a). The Annual Accounts of VSPL reports interest income - Others (₹366.11 lakhs and ₹1509.79 lakhs) and liabilities no longer required written back (₹294.41 lakhs and ₹6.84 lakhs) for the years 2014-15 and 2015-16 respectively which has been excluded by the VSPL. The nature of each of these income reported in the Annual Accounts to be explained.</td><td>Interest income others pertains to interest earned from Group company on the ICD placed with them.

<u>Liabilities no longer required written back: (294.41 Lakhs)</u>
As per the loan agreement with IDFC, securities are required to be mortgaged by the Company by 28 July 2012, otherwise additional interest of 1% p.a. is payable on the loan outstanding. As VSPL could not create mortgage within the due date, liability was created in favour of IDFC and the same was unpaid as at 31 March 2014. During the current year, the Company created the mortgage in favour of IDFC and the Company obtained wavier from payment of penal interest on account of non-creation of securities. As a result, the Company reversed the liability created upto 31 March 2014 in the current year.

<u>Liabilities no longer required written back: (6.84</u></td></tr>
</table>

		Lakhs) Outstanding payables for more than 3 years were written off during the year.
	(b). The Annual Accounts for the years 2014-15 and 2015-16 under the head other income reflects "liabilities no longer required - written back". Clarify the nature of this item and whether it relates to cargo operations of EQ8 and EQ9 berths.	It is not related to cargo operations of EQ 8 or EQ9 and it relates to charges/ penal interest/ finance charges.
(vi).	(a). Reference is drawn to para 12(vi)(I) of the Order dated 15 May 2015 which elaborately deals with the reasoning for disallowing of the capital dredging expenditure at ₹16.08 crores incurred by VSPL. In the current exercise, the VSPL has requested to allow the said capex of ₹16.08 crores incurred towards deepening of channel/ berth and capitalized in the year 2009-10 by the VSPL for the submissions now made by the VSPL. In this regard, the VSPL to confirm if there is any change in the position now from then mentioned as reported in the said para in the Order dated 15 May 2015.	This issue has been challenged in our Writ appeal pending before the High Court on the following grounds: 1. The capex of ₹16.08 Cr is in line with Article 7.3(iv) of our Licence agreement with VPT which stipulates that VPT and VSPL shall mutually cooperate to achieve the objective of the License agreement so as to achieve high throughput performance by optimum utilization of Project facilities of VSPL. 2. The said Capex has facilitated widening of entrance channel that paved the way for entry of Panamax vessels to the inner harbour berths of not only VSPL but also the berths of VPT. THIS HAS BEEN AFFRIRMED BY VPT ALSO TO TAMP AS RECORDED IN PARA 8.3(6) of the Tariff order dated 11.10.2011. 3. This Capex has helped in reduction of operating cost to the users by direct entry of Panamax vessels to Inner Harbour berths and generated additional traffic for both VPT and VSPL. 4. Quoting the MOU withdrawal as reason for disallowing this capex is not relevant and the Authorities may appreciate that this expenditure is allowable under clauses 2.9.5 and 2.9.6 of the Tariff guidelines which prescribe the eligibility conditions for allowing any Capital expenditure. We therefore submit that the same shall be allowed taking an objective view of the issue. Hence we have not made any adjustment in Gross Block as suggested by the Authority. The change in our position is that now a supplementary agreement has been entered permitting deepening of our berth fronts to -16.10 Meters and as such the Capex is brought within the ambit of our License Agreement.
	(b). The VSPL has stated that it has entered into a Supplementary Agreement with VPT on 20 June 2015 as a part of main License Agreement allowing VSPL to dredge its berths to -16.10 mtrs at VSPL costs. In this regard, the VSPL to forward a copy of the supplementary License Agreement entered with VPT and refer the relevant clause allowing	Copy of the Supplementary Agreement is furnished as Appendix IV. Hitherto, the expenditure was not allowed by the Authorities for the reason that the same was entered outside the purview of the License Agreement by an M.O.U and in the said M.O.U there was a condition that VSPL shall not seek any tariff increase for this Capex. The said M.O.U having been withdrawn by mutual consent of Licensor and Licensee is not relevant now. Supplementary agreement having

	the dredging cost in the fixation of tariff.	been entered now forms part of the main License Agreement and accordingly this Capex is automatically brought under the purview of the License Agreement. Without this Capex, further dredging activity upto -16.10 Meters could not have been achieved. It is submitted that once the Capex is brought within the purview of the License Agreement, it is for the Authorities to consider allow ability of this Capex as per the Tariff Guidelines based on benefit of this Capex in terms of growth in traffic, cost savings to Users, Cost reduction to the terminal operator etc. The Supplementary agreement was unilaterally finalized by VPT and VSPL had no choice except to enter the same for getting the dredging completed. Hence there is no such specific clause allowing this Capex in fixation of tariff. In our view, specific clause allowing dredging cost in fixation of tariff is not the criteria but eligibility of this Capex as per tariff Guidelines as decided by the Authorities are the criteria. – Appendix - IV
	(c). It may be clarified whether the Supplementary Agreement has retrospective effect to cover the capital dredging expenditure of ₹16.08 crores capitalized in the year 2009-2010.	As explained above, the Supplementary Agreement was finalized by VPT and VSPL was required to sign the same as per the terms proposed by VPT which is a condition for granting approval to VSPL for dredging to - 16.10 Meters at its berth fronts. Further dredging activity to - 16.10 Meters could not have been achieved as per the Supplementary agreement without the said Capex of ₹16.08 crores.
(vii).	During the revision, the VSPL has stated that after commencement of commercial operations by VGCBPL at GCB from 1 April 2013, charges for ligherage are directly paid by SAIL to VGCBPL. However, from the reconciliation statement furnished by VSPL, it is found that the income from handling activity at general cargo berth, outer harbour to the tune of ₹16.23 crores in 2014-15 and ₹4.10 crores in 2015-16 reported in the Annual Accounts are excluded from the operating income shown in the cost statement citing that it is based on various contracts with various customers to lighterage/ handle their fully laden vessels at general cargo berth of VPT. Similar adjustment has been done with reference to expenditure relating to stevedoring charges at general cargo berth reported in the Annual Accounts. In this regard, the decision taken by the Authority in Para 11 (ii)(c) of the Order dated 11 October 2011 and Para 12(iii)(a), (b) and (c) of the Order dated 15 May 2015, both relating to revision of the SOR of VSPL, may be referred. It is	No further remarks.

	categorically stated that the tariff arrangement at GCB for lighterage/ handling services rendered by VSPL to various customers does not have approval of the Authority, as stated in the said two Orders.	
(viii).	From the reconciliation statement furnished by VSPL, it is found that the income to the tune of ₹43.22 lakhs in 2014-15 and negative income of ₹0.13 lakhs in 2015-16 towards reimbursement of Siding and haulage charges is excluded from the operating income shown in the cost statement. The reasons for deletion of this revenue to be explained. The VSPL to clarify whether the said revenue is not flowing from the rate of ₹3.20/ tonne prescribed in the existing SOR towards railway siding administration and maintenance charges.	Siding and haulage charges are collected and fully remitted to VPT Railways for availing the Railway services from VPT. Hence same has been excluded from operating income. This revenue is not flowing from the rate of ₹3.20/ Ton towards siding maintenance charges as the same was not collected from any customer.
(ix).	From the reconciliation statement furnished by VSPL, it is noticed that there is a minor mismatch in the Income to the tune of ₹13,755.00 which is not reconciled with the income reported in the Annual Accounts for the year 2015-16. The VSPL may correct this position.	Numbers updated.
(x).	Revenue Share: The sum of actual income from wharfage and berth hire reported in the Annual Accounts for the years 2014-15 and 2015-16 is ₹1075.78 lakhs and ₹1386.62 lakhs respectively. The revenue share when computed as per the LA at 17.111% on the wharfage and berth hire income reported by the VSPL in the Annual Accounts for the years works out to ₹184.08 lakhs and ₹237.27 lakhs for the years 2014-15 and 2015-16 respectively as against ₹392.15 lakhs and ₹469.76 lakhs reported in its Annual Accounts. Explain the reasons for the difference.	 Reconciliation statement furnished as Appendix-V. Reasons for variance is due to inclusion of wharfage charges under Integrated terminal service charges i.e., Integrated terminal service charges invoice includes wharfage that results in the difference.
(2).	Since the actuals furnished in the cost statement for the year 2016-17 is for six months and not for the full year, for the purpose of comparison, the actual figures furnished by VSPL is prorata adjusted for full year. This exercise is done only for the purpose of comparison with projections to assess the reasonableness of projections for the year 2017-18.	Actuals updated.
(3).	**Traffic:**	
(i).	The traffic projected for the year	The traffic projections for year 2017-18 to 2019-20

	2017-18 in comparison to 2016-17 actual traffic for six months prorata adjusted for full year furnished in Form 2A shows reduction in the traffic of steam coal from 9.26 lakh tonnes to 7.00 lakh tonnes, pet coke from 11.82 lakh tonne to 8.00 lakh tonnes. The VSPL to explain reasons for reduction in the traffic projection of these cargo items. If based on actual traffic handled for full year of 2016-17, there are other cargo as well where projection is lower than the actual traffic handled by VSPL, the VSPL to furnish reasons for the projecting reduction in traffic of few cargo items.	have been revised now based on the actuals, which may please be perused by the authorities. Please note that the annual average traffic projected is 6.3 Million MT as against actual average traffic handled for 2014-17 is 5.3 Million MT.
(ii).	As regard the point made by VSPL that development of multi cargo berths at EQ-2 to EQ-5, WQ-7 and WQ-8 will impact the traffic of VSPL, the VSPL to confirm whether all these projects will be commissioned during this tariff cycle. If not, VSPL to review the traffic projections upwards.	As per the Administration Report of VPT for 2015-16, the multipurpose berth by replacement of existing Berths EQ 2 to EQ-5 will be completed by October 18. Only VPT can confirm the position regarding WQ-7 and WQ-8. It may be noted that VSPL now faces not only intraport competition but also inter-port competition from Gangavaram, Paradip and Dhamra Ports. Coal is the major bulk cargo in Vizag Port and SAIL is the largest bulk coal importer in Vizag. Gangavaram which is a non-major Port having seven berths is attracting major coal and other bulk cargos by dropping down their rates and assuring free storage period for 120 days. Dhamra Port is a threat for SAIL volume handled in Vizag Port. Paradip Port with considerable enhancement in infrastructure is attracting Coal, Iron ore and Limestone. Projections have been made considering all these competitive scenario and accordingly found to be realistic.
(iii).	As stated earlier, please update the cost statements with the actual traffic for the year 2016-17. Consequently, the cargo and vessel traffic for subsequent years 2017-18 to 2019-20 may be reviewed based on 2016-17 actual traffic.	Updated cost statements and traffic projections for 2017-18 to 2019-20 based on actual traffic for 2014-17 have been furnished.
(iv).	The VSPL to indicate additional traffic likely to be handled in view of addition proposed to the gross block of assets in the years 2017-18 towards strengthening of berth (₹4.98 crores) and Plant & Machinery (₹1.95 Lakhs) proposed by VSPL and confirm that the traffic estimates for this period captures the effect of the additional traffic volume, if any, on this account.	Confirmed that traffic estimates for current tariff cycle captures the effect of additional traffic on account of these Capex.
(4).	**Capacity:**	
	The assessed capacity for all the years 2017-18 to 2019-20 is maintained at the existing level of 7.70 million tonnes per annum. The	Assessed capacity is based on Vertical discharge capacity and cargo evacuation capacity besides completion of development of additional land and completion of dredging. Capex towards berth

<table>
<tr><td></td><td>VSPL to assess addition expected in the existing capacity in view of additions to the gross block estimated at ₹4.98 crores and Plant & Machinery at (₹1.95 Lakhs) during the year 2017-18.</td><td>strengthening is to enable deepening of berth fronts to -16.10 Meters. Hence, there will not be change in assessed capacity in the review tariff cycle.</td></tr>
<tr><td>(5).</td><td>Income Estimation:</td><td></td></tr>
<tr><td>(i).</td><td>For reasons stated earlier, all the income estimates for the year 2016-17 to be updated with actuals. Consequently, estimates for the years 2017-18 to 2019-20 may also be modified, if necessary based on 2016-17 actuals.</td><td>Income estimates of 2016-17 have been updated with actuals and subsequent three years also modified as required based on 2016-17 actuals.</td></tr>
<tr><td>(ii).</td><td>The income estimation may be reviewed and modified in view of our observation to review the traffic estimation.</td><td>Reviewed and modified income estimates attached.</td></tr>
<tr><td>(iii).</td><td>In Annex-III attached to the proposal, it is seen that for estimating the operating income for the years 2017-18 to 2019-20 for cargo other than BMHS cargo, the VSPL has assumed that 100% of estimated traffic would avail the stevedoring service, 88% of the traffic would avail HMC service and 60% of cargo would avail shore handling service and storage facility, 50% of cargo will avail weighment service and 60% of cargo will pay for Railway siding maintenance for cargo other than coal at BMH and 100% by coal at BMH. The basis of arriving at the above mentioned percentages for availing different services by cargo other than BMHS cargo may be explained and justified with the percentage share of cargo that actually availed each of these services in the previous three years from 2017-18 to 2019-20.</td><td>Details of tonnage of cargo availing services with BMHS, Stevedoring with HMC, Stevedoring with vessel gear and shore handling services for the years 2014 to 2017 are furnished.
<table>
<tr><th rowspan="2">Financial Year</th><th rowspan="2">Total Qty handled</th><th colspan="6">Cargo Handled by</th></tr>
<tr><th>BMHS</th><th>Stevedoring with HMC</th><th>Stevedoring with Vessel Gear</th><th>HMC + Shore Handling</th><th>Vessel Gear + Shore handling</th></tr>
<tr><td></td><td></td><td>(A)</td><td>(B)</td><td>(C)</td><td>(D)</td><td>(E)</td></tr>
<tr><td>2014-2015</td><td>51.76</td><td>13.92</td><td>8.80</td><td>1.35</td><td>23.90</td><td>3.80</td></tr>
<tr><td>2015-2016</td><td>45.10</td><td>10.54</td><td>9.28</td><td>1.05</td><td>22.04</td><td>2.20</td></tr>
<tr><td>2016-2017</td><td>63.24</td><td>19.01</td><td>13.81</td><td>4.30</td><td>22.86</td><td>3.27</td></tr>
<tr><td>TOTAL</td><td>160.11</td><td>43.46</td><td>31.88</td><td>6.70</td><td>68.80</td><td>9.27</td></tr>
<tr><td>% Cargo</td><td></td><td>27.15</td><td>19.91</td><td>4.18</td><td>42.97</td><td>5.79</td></tr>
<tr><td>% HMC</td><td>A + B +D</td><td>90</td><td></td><td></td><td></td><td></td></tr>
<tr><td>% Vessel Gear</td><td>C+E</td><td>10</td><td></td><td></td><td></td><td></td></tr>
<tr><td>% Shore handling</td><td>D + E</td><td>49</td><td></td><td></td><td></td><td></td></tr>
</table>
Details of tonnage of cargo availing services and percentage of services, excluding bulk material handling system, i.e. Stevedoring with HMC, Stevedoring with vessel gear and shore handling services for the years 2014 to 2017 are furnished.
<table>
<tr><th rowspan="2">Financial Year</th><th rowspan="2">Total Qty handled (Excl BMHS)</th><th colspan="4">Cargo handled with</th></tr>
<tr><th>Stevedoring with HMC</th><th>Stevedoring with Vessel Gear</th><th>HMC + Shore Handling</th><th>Vessel Gear + Shore handling</th></tr>
<tr><td></td><td></td><td>(A)</td><td>(B)</td><td>(C)</td><td>(D)</td></tr>
<tr><td>2014-2015</td><td>37.84</td><td>8.80</td><td>1.35</td><td>23.90</td><td>3.80</td></tr>
<tr><td>2015-2016</td><td>34.56</td><td>9.28</td><td>1.05</td><td>22.04</td><td>2.20</td></tr>
<tr><td>2016-2017</td><td>44.24</td><td>13.81</td><td>4.30</td><td>22.86</td><td>3.27</td></tr>
<tr><td>TOTAL</td><td>116.65</td><td>31.88</td><td>6.70</td><td>68.80</td><td>9.27</td></tr>
<tr><td>% Cargo</td><td></td><td>27.33</td><td>5.74</td><td>58.98</td><td>7.95</td></tr>
<tr><td>% HMC</td><td>A+B+C</td><td></td><td>86.31</td><td></td><td></td></tr>
<tr><td>% Vessel Gear</td><td>B +D</td><td></td><td>13.69</td><td></td><td></td></tr>
<tr><td>% of Shore Handling :</td><td>C+D</td><td></td><td>66.93</td><td></td><td></td></tr>
</table>
Based on actual shore handling services availed by customers and in view of projected traffic growth, it is estimated that 90% of cargo will avail Harbour Mobile Cranes, 70% shore handling services. Since weightment services are optional it is estimated that 50% of customers will avail this service.</td></tr>
<tr><td>(iv).</td><td>For the years 2017-18 to 2019-20, VSPL has estimated plot rent for cargo other than BMHS cargo for the</td><td></td></tr>
</table>

	additional land assuming 20% of the said cargo will avail storage facility in EXIM Park. In this regard, the following points to be clarified:	
	(a). The VSPL in para 5 of its proposal has stated that for reasons cited, capex projected during last tariff cycle for development of additional land could not be pursued. Further, due to uncertainty, the VSPL has stated that the development of additional land is being deferred for time being. The VSPL has in its proposal also stated that the basic infrastructure facilities like connecting road, rail line link, etc. are yet to be provided by the Licensor. In the above circumstances, the VSPL to confirm whether the additional land can be utilized for stacking purpose and the plot rent income estimated by VSPL from the years 2017-18 to 2019-20 is in order.	Land allotted at EXIM Park is very low lying with poor soil quality and requiring huge development cost than expected cost. In addition, it was first proposed to draw the railway line to our land from existing railway lines laid by HPCL to save sizeable Capex by reduced distance of railway track from take-off point. But, same was not consented by HPCL and VSPL was required to construct railway line for long distance from take off point at VPT's siding thereby substantially enhancing the projected capex. In view of the intense competition, customers are not willing to bear the cost of transportation of cargo to EXIM Park. In the meantime, based on the report of Boston Consulting Group, VPT decided to allot additional lands to VGCB and Adani in the vicinity of their terminal. VSPL also requested VPT to allot additional land in its vicinity to save the transportation cost and environmental issues and VPT accordingly sent proposals to Government with their board's approval for allotment of additional lands to VGCB, Adani and VSPL. In view of this development and substantial increase in lease rentals as per the recent tariff order based on Land Policy, 2014 and Pending fresh allotment in our vicinity, VSPL has surrendered 21 acres of land out of the 30 acres allotted at EXIM Park, with effect from 01.4.2017. The plot rent income has been estimated accordingly for 2017-18 to 2019-20 targeting those customers requiring longer storage period and found to be in order. Appendix – VI
	(b). The basis of arriving at the said percentage for estimating the plot rent revenue from additional land may be explained.	It is our estimation based on feedback from our Marketing team.
	(c). From the revenue estimation of plot rent, it appears that from the year 2017-18 onwards 60% of cargo other than BMHS cargo will avail storage facility beyond the prescribed free period i.e. 60% of cargo will avail existing storage facility and 20% of cargo will avail storage at the additional land. Please confirm whether the above understanding is correct.	Yes above understanding is correct. But as per the revised projections, 70% of cargo other than BMHS cargo will avail storage facility beyond the prescribed free period i.e., 70% of cargo will avail existing storage facility and 10% of cargo will avail storage at the additional land, which requires longer storage period. In view of surrender 21 acres of land to VPT, VSPL has reduced storage facility from 20% to 10%.
(v).	The VSPL has stated in Annex-VI that the effect on revenue on account of lower rates and or allowing higher rebates to SAIL at ₹4.22 crores for each of the year 2017-18 to 2019-20 has been estimated in projections	During the current year, we have entered an agreement with SAIL for handling their coking coal panamax vessels for 3 years short term contract with minimum quantity of 2 MMT per annum for ₹172.53 PMT.

<table>
<tr>
<td></td>
<td>and has requested that this notional income may not be considered in tariff revision. The request is not clear to us.</td>
<td>However, in the income estimates, VSPL has projected as per the rates prescribed in the SOR for usage of bulk Material handling system instead of actual rate agreed for SAIL for the next 3 years. The following notional income which we have shown in the income estimates on account of bulk material handling services may be excluded while tariff revision.
<table>
<tr><th>From</th><th>To</th><th>Qty Projected</th><th>Agreed Rate</th><th>TAMP Rate</th><th>Discount</th><th>Amt</th></tr>
<tr><td></td><td></td><td>(₹ in Lakhs)</td><td>₹ PMT</td><td>₹ PMT</td><td>PMT</td><td>₹ in Crores</td></tr>
<tr><td>01.4.17</td><td>18.4.17</td><td>7.50</td><td>172.50</td><td>201.00</td><td>28.50</td><td>2.14</td></tr>
<tr><td>19.4.17</td><td>31.03.18</td><td>12.50</td><td>172.53</td><td>201.00</td><td>28.47</td><td>3.56</td></tr>
<tr><td>01.4.18</td><td>31.03.19</td><td>20.00</td><td>172.53</td><td>201.00</td><td>28.47</td><td>5.69</td></tr>
<tr><td>01.4.19</td><td>31.03.20</td><td>20.00</td><td>172.53</td><td>201.00</td><td>28.47</td><td>5.69</td></tr>
<tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td></td><td></td><td>60.00</td><td>172.52</td><td>201.00</td><td>28.48</td><td>17.08</td></tr>
</table>

As submitted in our last tariff proposal, SAIL is the only major customer importing coking coal through Panamax vessels in Vizag Port for about 5 million Tons per annum. Our EQ-8 berth with mechanized handling system is customized to the requirement of SAIL in view of the 30 years Long-term agreement entered on 31.1.2005 itself. However, the said contract has been put under abeyance due to non-completion of deepening of navigation channels by VPT and presently VSPL is able to retain SAIL by agreeing to enter into various short-term agreements with SAIL on conditions acceptable to SAIL. Otherwise, the Project facilities of EQ-8 will be grossly underutilized. Accordingly, it is neither the discretion nor commercial decision of VSPL to grant discount or higher rebates to SAIL.
It is our considered submission that Tariff guidelines clauses 2.16.1 which provides that rates prescribed in SOR are ceiling rates and Rebates/discounts are floor levels do not prohibit that such discounts/Rebates shall not be recognized for calculation of actual income during tariff fixation.

It is pertinent to note that as per the communication of TAMP No.46/2015-Misc. dated 24.7.15, only the actual income earned by the operator to be considered and not notional income. Hence, we request for exclusion of the above said notional income from Sail included in our Projections, from 2017-18 to 2019-20 in view of the firm rate to be collected from SAIL as per agreement already entered.
<u>Appendix - VII</u></td>
</tr>
<tr>
<td>(vi).</td>
<td>The Authority has approved ₹5/- per tonne for covering of dusty cargo vide Order No.TAMP/34/2016-VPT dated 8 February 2017 for VPT and BOT operators authorised by VPT for this task. It is seen that VSPL has not estimated income from this item which is an existing rate while projecting income at existing rates. The VSPL to include income from</td>
<td>₹5 PMT is estimated towards tarpaulin coverage charges as per the VPT circular.

Tarpaulin coverage income at existing rates modified accordingly.</td>
</tr>
</table>

<table>
<tr><td></td><td>this item in the revenue estimation at existing rates.</td><td></td></tr>
<tr><td>(vii).</td><td>Confirm the income estimated for the years 2017-18 to 2019-20 is based on the rates prescribed in the existing SOR of VSPL. Confirm the income estimates do not capture tariff reduction/ concession, if any, granted by VSPL in the years 2014-15 to 2016-17 on account of flexibility available to Port Trusts/ BOT operators.</td><td>It is confirmed that income for 2017-18 to 2019-20 are estimated based on the rates prescribed in the existing SOR. It is also confirmed the income estimates do not capture tariff reduction/ concessions granted.</td></tr>
<tr><td>(viii).</td><td>(a). Please explain the basis of handling rate considered for computation of berth hire income (as seen from the soft copy of the proposal) at 24000 tonnes/ day for coal at BMHS, 21850 tonnes/ day for coal, 8000 tonnes/ day for fertilizer, 16255 tonnes/ day for Steam Coal, 15180 tonnes/ day for Pet coke, 15786 tonnes/ day for gypsum, 13432 tonnes/ day for Iron Ore, 11544 tonnes/ day for manganese ore and 7600 tonnes/ day for other cargo. Please confirm that the handling rate assumed for estimation of berth hire income is in line with the actual handling rate achieved in the past period 2014-15 to 2016-17.</td><td>The following are the details of average discharge rates achieved for the last tariff cycle.
<table>
<tr><th rowspan="2">CARGO</th><th colspan="4">AVG. DISCHARGE RATE</th></tr>
<tr><th>2014-15</th><th>2015-16</th><th>2016-17</th><th>AVG</th></tr>
<tr><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>COKING COAL</td><td>21,533</td><td>21,565</td><td>22,720</td><td>21,940</td></tr>
<tr><td>STEAM COAL</td><td>13,982</td><td>18,483</td><td>16,176</td><td>16,214</td></tr>
<tr><td>GYPSUM</td><td>11,970</td><td>18,243</td><td>15,782</td><td>15,331</td></tr>
<tr><td>MANGANESE ORE</td><td>12,796</td><td>12,883</td><td>12,079</td><td>12,586</td></tr>
<tr><td>IRON ORE</td><td></td><td>12,887</td><td>16,973</td><td>14,930</td></tr>
<tr><td>PETCOKE</td><td>11,490</td><td>17,486</td><td>16,447</td><td>15,141</td></tr>
<tr><td>FERTILIZERS</td><td>8,302</td><td>10,893</td><td>-</td><td>9,597</td></tr>
<tr><td>OTHERS</td><td>7,302</td><td>8,432</td><td>10,681</td><td>8,805</td></tr>
</table>
In the cost statements, income of berth hire is estimated based on targeted productivity level as mentioned in Form 1 instead of Average discharges rates.</td></tr>
<tr><td></td><td>(b). It is seen that there is mismatch in the productivity level considered for estimation of berth hire income and that indicated in Form 1 at Sl. No.6 under the title Targeted Productivity level. The reasons for mismatch to be explained.</td><td>Basis targeted productivity level, berth hire estimates are modified.</td></tr>
<tr><td></td><td>(c). The exchange rate adopted for arriving at the income from berth hire for the years 2014-15 to 2016-17 is seen to be 1 US $ = ₹67.17. The VSPL may update it with the prevailing exchange rate.</td><td>Updated with prevailing exchange rate of ₹64.02.</td></tr>
<tr><td>(6).</td><td>Operating Cost:</td><td></td></tr>
<tr><td>(i).</td><td>In terms of clause 2.5.1. of the 2005 tariff guidelines, expenditure projection should be in line with traffic adjusted for price fluctuation with respect to the current movement of Wholesale Price Index (WPI) for all the commodities announced by the Government of India. The WPI for all the commodities for the tariff cases to be decided in the year 2017-18 decided by the Authority is 2% which has been communicated to all Major Port Trusts and BOT operators including VSPL vide our letter No.TAMP/27/2005-Misc dated</td><td>The cost estimates for the years 2017 to 2020 have been modified taking cost escalation at 2%.</td></tr>
</table>

	26 May 2017. Hence, the annual escalation in the estimation of operating cost for the years 2017-18 to 2019-20 to be modified accordingly.	
(ii).	As stated earlier, the estimates of all expenses for the years 2017-18 to 2019-20 may be reviewed and revised based on 2016-17 actuals.	Reviewed and revised estimates attached.
(iii).	<u>Operating and Direct Labour</u>:	
	(a). The base unit labour cost (as seen from the soft copy of the proposal) of ₹8.50 per tonne for coking coal at BMHS and ₹4.32 per tonne for other cargo is considered for estimating the operating and direct labour cost for the year 2017-18 and escalated by 2.46% per annum for the years 2018-19 and 2019-20. In this regard, the VSPL to furnish the basis for arriving at the base unit labour cost. The VSPL also to furnish copies of contract, if any, entered with the outsourcing agency/ agencies and linking the unit rate adopted with the rate in the outsourcing contract to justify estimation of operating and direct labour cost. Indicate the validity period of the contract.	Estimates are modified with escalated factor of 2% per annum in line with increase in WPI as stated above by TAMP. ₹4.32 PMT for onboard labour and ₹3.70 PMT for labour deployed for wagon cleaning and leveling of coal. Enclosed herewith the work orders issued to M/s.Kreem Resources for supply of on board labour and M/s.Eversun Marine Trade Pvt. Ltd. for labour for wagon loading. Appendix – VIII (a & b) Subsequently, the VSPL vide its emails dated 02 January 2018 and 04 January 2018 has furnished copy each of work order issued to Eversum Marine Trade Pvt. Ltd. on labour supply for wagon loading and work order issued to M/s.Kreem Resources for supply of labour for onboard.
	(b). Confirm whether the relevant service provider(s)/ contractor is engaged following a competitive bidding and arm's length relationship is maintained for such transaction which should be supported with necessary documents, if necessary.	Confirmed that contracts are awarded by competitive bidding and arm's length relationship is followed.
	(c). Annual escalation of 6% adopted by the VSPL for the year 2017-18 and 2.46% for the years 2018-19 to 2019-20 over the estimates of respective previous years to be justified with reference to the relevant provision in the outsourcing contract.	Annual escalation now revised to 2%.
(iv).	<u>**Maintenance labour**</u>:	
	(a). <u>**Maintenance for BMH System**</u>	
	(i). As seen from the soft copy of the proposal, the estimates of maintenance labour cost relates to maintenance of BMH system which has been outsourced. Justify the base rate considered at ₹39.60 lakhs for estimating this cost item in the year 2017-18 and further 2.46% annual escalation adopted for the subsequent two years viz. 2018-19 and 2019-20 with copy of the outsourcing contract entered by VSPL quoting the relevant clause in	Estimates are modified with escalation of 2%. Contract provides for annual escalation based on the minimum wages and whole sale price index. Copy of the contract entered for BMHS is furnished. <u>Appendix – IX</u>

	the contract in this regard.	
	(ii). Confirm the validity period of such contract.	Contract is valid till 2023. – Appendix – IX
	(iii). Confirm whether the relevant service provider/ contractor is engaged following a competitive bidding and arm's length relationship is maintained for such transaction which should be supported with necessary documents.	Confirmed that relevant contract was awarded by competitive bidding and arm's length relationship is followed.
	(b). **Manual Labour operations**	
	(i). The reasons for steep increase in the actual/ estimates for the year 2016-17 in the maintenance labour cost by 79% in the year 2016-17 over the actual of 2015-16 to be explained.	During the FY 16-17, Tarpaulins purchased for covering of cargo of ₹67,81,607/- was included in maintenance labour. Earlier years the expenditure is included in Stores – General expenditure. Now revised.
	(ii). The estimates for 2017-18 to 2019-20 is further escalated by 2.46% per annum which may be considered at 2% per annum as stated earlier.	Estimates are modified with escalation of 2%.
(v).	Equipment Running Cost:	
	(a). **Power Cost:** As stated earlier, the per tonne power consumption, unit rate of power and power cost to be updated with 2016-17 actuals. The unit rate of electricity considered in the estimation of power cost (Form 3B) at ₹9.86 per tonne in the year 2017-18 shows escalation of 6.17% over the actuals/ estimates of the previous year and further escalated by 4.37% and 4.44% for the years 2018-19 and 2019-20 respectively over the estimates of respective previous years. The unit rate of power considered in the year 2017-18 should be substantiated with copies of recent bills of immediate last three months. The annual escalation considered by VSPL for the years 2018-19 and 2019-20 which is beyond the allowable annual escalation to be modified at the allowable annual escalation factor.	Form 3B has been revised with per unit cost, which includes load rate and fuel surcharge for all the years. At present unit rate is ₹7.04 (₹6.98 + surcharge of ₹0.06). A detailed statement on electricity charges for the last 3 years is furnished as Appendix - X. Bills for last 3 months are furnished.
	(b). **Fuel Cost:**	
	(i). Furnish copies of fuel bill for the last three months to substantiate the unit rate of fuel considered in the year 2017-18.	Actuals updated. Last 3 months bills are enclosed as Appendix – XI. Subsequently, the VSPL has vide its email dated 03 January 2018 furnished updated bill dated 29 December 2017 and also requested to consider cost of fuel at ₹63.97 per litre instead of ₹56.81 per litre as consider in estimated fuel cost.
	(ii). The annual escalation for the years 2018-19 and 2019-20 to be considered at 2% as against 2.46% considered by the VSPL.	Estimates are modified with escalation of 2%.

	(c). **Repairs and Maintenance Cost:**	
	(i). The estimation of repair and maintenance cost includes an element of annual maintenance with Leibherr for maintenance of HMC reportedly stated (as seen from the soft copy of the proposal) to be as per new agreement entered by VSPL with them. Please furnish a copy of the contract agreement entered by VSPL with Leibherr for maintenance of HMC to justify the estimate of ₹5.18 crores, ₹5.42 crores and ₹5.66 crores per annum estimated for the years 2017-18 to 2019-20 respectively. Also, confirm the said agreement is entered following a competitive bidding process.	In view of exorbitant AMC cost demanded by the OEM, Leibherr, as our cranes have clocked more than 30000 Engine Hours, the AMC with Leibherr was not renewed from 1.4.17. Cranes are now maintained in-house under the supervision of Ex Leibherr Engineer and inventory of spares are maintained purchasing the same from Leibherr. Value of spares consumed under AMC in the past years has been taken as basis and the expenditure for 2017-18 to 2019-20 has been estimated at the same level of AMC cost. Subsequently, the VSPL has vide its email dated 03 January 2018 made following submissions for Repair and Maintenance cost of equipment relating to Leibherr HMC for the years 2017-18 to 2019-20: (a). In view of exorbitant AMC cost demanded by the OEM, Leibherr as VSPL cranes have clocked more than 30000 Engine Hours, the AMC with Liebherr was not renewed from 1.4.2016. Cranes are now maintained in-house under the supervision of Ex Liebherr Engineer and inventory of spares are maintained purchasing the same from Liebherr. (b). During the financial year 2016-17, VSPL has not incurred any expenditure on this account as there are no significant break down of the cranes. Till 31.03.2016, under Annual Maintenance contract with Leibherr OEM, VSPL have been paying amount based on fixed engine hours and Leibherr has supplied all the spares as when required. (c). Repair cost shall be subject to type of break down that will happen in future and it may be on account of replacement of engine, gear box, turbo charges, winches or other important and critical spares, which will cost huge amount during that financial year. (d). In view of unforeseen breakdown in future, value of spares consumed under AMC in the past years has been taken as the basis and the expenditure for 2017-18 to 2019-20 has been estimated at the same level of AMC cost. The overall expenditure is spread over for the 3 years period based on tonnage handled by respective cranes.
	(ii). As regards other repairs and maintenance cost, VSPL has adopted average of actuals/ estimates of 2.5 years [i.e. 2014-15 and 2015-16 and for six months in 2016-17] and applied 2.46% for	Estimates are modified with escalation of 2%.

	estimating the cost of 2017-18. The VSPL may, instead, take the 2016-17 actuals and apply allowable escalation factor of 2% for estimating this item for the year 2017-18. For the subsequent two years, the annual escalation to be considered at 2% instead of 2.46% considered by VSPL.	
(vi).	Maintenance Dredging:	
	(a). The unit rate of maintenance dredging considered by VSPL @ ₹415384/ shift in the year 2016-17 and ₹425602/ shift in the year 2017-18 may be substantiated with copies of work order/ contract entered by VSPL with VPT as no expenditure under this head is reported in the years 2015-16 and 2016-17 (upto 6 months).	Maintenance dredging is incurred as and when needed and advised by VPT based on Hydrographic survey. Maintenance dredging is done by Port Dredger only and no work order/contract is entered with VPT. Based on duration of actual deployment of dredger, VPT raises bill. No expenditure was incurred under this head in 2015-16 as Capital dredging to -16.10 Meters was done and berths were shut down for several days. Estimates are modified with escalation of 2%. Appendix - XII
	(b). The annual escalation in the unit rate of maintenance dredging by 2.46% for the years 2018-19 to 2019-10 may be justified with provision in the work order/ contract.	Estimates are modified with escalation of 2%.
	(c). The basis of considering number of shifts (24 shift per year) for maintenance dredging may be explained.	Maintenance dredging is incurred as per the instructions of VPT based on their periodical hydrographic surveys and depends on the siltation of soil.
	(d). Confirm maintenance dredging cost is likely to be incurred by VSPL in each of the years 2017-18 to 2019-20 at the estimated level in the light of the observation that VSPL has not incurred any expenditure under this head in the last two years 2015-16 and 2016-17.	Confirmed that maintenance dredging is likely to be incurred in the years 2017-18 to 2019-20 at the estimated level.
(vii).	Equipment Hire Charges:	
	(a). Equipment hire charges for the years 2017-18 to 2019-20 is estimated based on different per tonne rates for different services. The unit rate adopted for estimating the equipment hire charges for handling coal and onboard equipment is ₹5.50 per tonne for each service, shore handling at ₹61 per tonne, ₹31 per tonne for internal shifting and ₹52.10 per tonne for hire of HMC. Each unit rate adopted in the estimation of expenses to be substantiated with copies of latest valid contract(s) entered by VSPL correlating it with the unit rates indicated in the contract(s) giving reference to the relevant clause in the hiring contract(s) entered by VSPL.	Work order copies attached. Cost revised as per the applicable escalation. Appendix – XIII a, b and c Subsequently, the VSPL has vide its email dated 02 January 2018 furnished copy each of Work order dated 17.01.2013, Addendum dated 25.09.2014 and calculation sheet on escalation of rate w.e.f. 01.4.2016 – ₹52.13 PMT and also requested to consider rate at ₹52.13 PMT instead of ₹52.10 as considered in the estimates due to clerical mistake.

<table>
<tr><td></td><td>(b). Please confirm that the contract awarded by VSPL was finalised following competitive bidding process to ensure competitive and reasonableness of rates.</td><td>It is confirmed that the contract awarded by VSPL was finalized following competitive bidding process.</td></tr>
<tr><td></td><td>(c). For estimating the hire cost of Harbour Mobile Crane (HMC), the VSPL has assumed that 88% of the cargo traffic other than BMHS cargo will avail the facility of hired HMC. The basis of applying this percentage for estimating the hire cost of HMC to be explained.</td><td>Cost statements are revised with actuals for the years 2014-17. As per which 90% of cargo traffic will avail HMC services. Out of which 60% is estimated for hired cranes. In view of age of our own cranes, inclusion of one more new hired crane and based on last 3 years actual deployment of hired crane, we have estimated 60% of total HMC Qty is estimated. (Total Qty * 90% of HMC services * 60% of hired crane= 54% overall)
<table>
<tr><th>Financial Year</th><th>Total Qty handled (In Lakhs)</th><th>Qty handled by Hired Crane</th><th>% of Hired Crane</th></tr>
<tr><td>2014-2015</td><td>51.76</td><td>23.91</td><td>46.19</td></tr>
<tr><td>2015-2016</td><td>45.10</td><td>29.23</td><td>64.81</td></tr>
<tr><td>2016-2017</td><td>63.24</td><td>32.22</td><td>50.94</td></tr>
<tr><td>TOTAL</td><td>160.11</td><td>85.36</td><td>53.98</td></tr>
</table></td></tr>
<tr><td>(viii).</td><td><u>Lease Rentals</u>:</td><td></td></tr>
<tr><td></td><td>(a). Please confirm that the unit rate of ₹90.55 per week for 100 sq. mtrs. adopted for estimating lease rental for area of 121,700 sq. mtrs. allotted by VPT and ₹62,986 per month for the building allotted to VSPL is in line with the provision of the License Agreement.</td><td>Lease rentals estimated at actuals paid to VPT at rates being paid to VPT. Revised tariff of lease rentals notified by TAMP is not considered as the same applies only for 11 months lease plots. Our contention is separate tariff shall be fixed for BOT operators who are allotted lands on long term license basis. No tariff has been fixed by TAMP for long term License of Port lands land to BOT Operators. Hence, Lease rent has been provided at ₹90.55/week per 100 Sq. Meters. In this regard, please vide our detailed explanation under Para 7 of our letter no.1207/Finance/TAMP/16-17 dated 10.2.17. <u>Appendix - XIV</u>

Provision for ₹195,23,236/- towards lease rent to VPT for terminal based on VPT circular was made in the books of accounts for FY 16-17 as per the principle of prudent and conservative policy.

However we are claiming actual rent being paid to VPT of ₹58,40,566 in the cost statements as against of provision mentioned above.</td></tr>
<tr><td></td><td>(b). The current proposal also estimates lease rental for additional land of 30.5 acre at EXIM Park which is stated to have been registered only in July 2015 and the basic infrastructure facilities like connecting road, rail line link, etc. are yet to be provided by the Licensor. In this regard, the following points to be clarified:</td><td></td></tr>
<tr><td></td><td>(i). As brought out in para 12(xix) of the 15 May 2015 Order, relying on the submissions by VSPL that land is allotted by VPT to VSPL in January 2014 and advance lease</td><td>It is a fact that VPT, vide their letter dated 28.1.2014 informed the allotment of land at EXIM Park and advised VSPL to pay ₹1,32,00,858 plus Service tax towards one year Provisional rent and one year rent as Security deposit.</td></tr>
</table>

	rent paid by VSPL to VPT based on allotment Order of the additional land dated 28 January 2014, the Authority had allowed lease rent on additional land of 30.5 acres at the level estimated by VSPL. In the current revision, the VSPL at Annex-IX relating to reasons for variation in estimates vis-à-vis actuals for the year 2014-15 furnished in Form VII has stated that VSPL has not made any payment to VPT towards lease rent for additional land in the year 2014-15 due to non-allotment of land. The above statement of VSPL contradicts its own position furnished in the last revision about allotment of land. In the year 2015-16, the VSPL has cited non-payment of lease rental is on additional land on account of non-completion of registration of the said land. This contradicts the point made by VSPL in para 5 of its proposal that the additional land at Exim Park was registered in July 2015. As regards, the year 2016-17, the VSPL has stated in the Annex-IX it has provided for lease rental on the additional land. The year 2016-17 is already over. The VSPL to confirm whether VSPL has paid lease rent on additional land allotted to VPT for the years 2014-15 to 2015-16. If not, reasons for the same may be furnished. If the VSPL has not paid any lease rent to VPT on additional land, then VSPL to clarify why the advantage accrued to VSPL during the last revision on account of considering lease rent on additional land in tariff revision based on the submissions made by VSPL but lease rent not paid by VPT in actual should not be fully adjusted in the current tariff cycle.	VSPL accordingly paid ₹1,48,32,484/- on 21.2.2014 towards one year provisional rent and further ₹1,32,00,858/ towards Security deposit on 12.9.2014. Afterwards, VPT delayed finalization of the lease deed for registration and communicated the finalized lease deed to VSPL only on 8.6.2015. Hence, no rent could be paid for 2014-15. Even after finalizing the lease deed, the registration could be completed only on 12th October' 15. Understand that the delay by VPT were due to some administrative reasons. Thus, land allotment was completed only in second half of Financial year 2015-16. Since VSPL has not received any bills from VPT, VSPL has made provision for payment of lease rent to Exim park for the period July 2015 to March 2017 in the books of accounts for FY 16-17. Due to revision of lease rentals of all VPT lands as per the Land policy 2014 for the quinquennium 2013-18, then pending with TAMP, VPT has not raised any bill from 12th October' 15 to till date even after issue of tariff order by the authorities. Understand same is being examined with reference to our provisions in the License Agreement. Raising invoice with service tax is essential for making payment and hence payment could not be made and accordingly provisions have been made in the year 2016-17 to the extent of ₹2.58 Crores on account of Exim Park. Lease rent to Exim park is estimated at industrial rates as per VPT Land policy for 9 Acres for the period from 2017 to 2020. As informed, VSPL has surrendered 21 Acres of Land to VPT w.e.f. 01.4.2017. Above being circumstances beyond our control, it is submitted that no advantage has accrued to VSPL on this account as may be observed from our consolidated Income and Cost Statement in Form 3 A.
	(ii). Clause 5.3. of the License Agreement allows Licensor to make available additional land or other premises at lease rent or other charges payable as mutually agreed between the Licensor and Licensee. Please indicate the basis of the unit rate adopted for estimating lease rental for the additional land at EXIM Park for the years 2017-18 to 2019-	As explained above.

	20 and confirm it is in line with the provisions in the License Agreement. If the lease rent approved by the Authority for VPT lands is considered then please give reference of the rate adopted from the Order approved by the Authority.	
	(iii). In the current revision also, the VSPL has, for reasons cited, stated at para 5 of the proposal that the development of additional land taken at Exim Park will not materialise in the current tariff cycle. The VSPL to also clarify for what purpose the additional land allotted by VPT to VSPL is being used for till the development of the said land for storage purpose.	As explained above and as stated under para (iv)(a) above, out of 30 acres at EXIM Park, 21 acres have been surrendered on 1.4.2017 and balance 9 acres are being used for storage purpose and on that basis the storage income from EXIM park land has been estimated. This has been done pending allotment of additional land in our vicinity to save transportation cost.
(ix).	Insurance:	
	(a). The VSPL has considered the insurance cost for the year 2017-18 at ₹65.34 lakhs and further escalated by 2.46% for each of the years 2018-19 and 2019-20 over the estimates of the respective previous years. Please furnish a copy of the relevant insurance covers taken during the years 2016-17 and 2017-18 to justify the figures considered for the years 2016-17 and 2017-18 in the cost statement.	Copies of Insurance are furnished as Appendix – XV.
	(b). Consideration of replacement cost of terminal for the year 2016-17 instead of depreciated cost for estimating insurance may be justified.	Insurance has been made at Replacement cost as per provisions of License Agreement and to avoid loss of claim due to under insurance while making claim.
	(c). Clarify how WPI escalation is relevant for the purpose of estimating insurance premium.	Estimates are modified with escalation of 2%.
(x).	Depreciation:	
	(a). As per clause 2.7.1. of the tariff guidelines, depreciation has to be computed on straight line method with life norms as per Companies Act or based on life norms prescribed in the License Agreement whichever is higher. Please confirm that depreciation computed is in line with clause 2.7.1 of the Tariff Guidelines of 2005.	It is confirmed that depreciation is computed as per the clause 2.7.1 of the Tariff Guidelines of 2005.
	(b). The Companies Act, 2013 has been announced by the Ministry of Corporate Affairs. Please confirm the depreciation rate considered by VSPL is based on the provisions of Companies Act 2013. Please indicate the depreciation rate adopted by the VSPL based on the useful life of assets prescribed in the Companies Act 2013 giving	Confirmed that depreciation rates considered are based on the provisions of the Companies Act, 2013 based on useful life of the assets. However, there is a change in classification of assets as per IND AS to be followed by VSPL as per Companies Act, 2013 from Financial year 2016-17. The Project berths and Plant and Equipment have been classified as Intangible Assets for amoritizaton over the License period in

<table>
<tr><td></td><td>reference to the relevant items in the said Depreciation Schedule of the Companies Act 2013.</td><td>the audited financials for 2016-17.</td></tr>
<tr><td>(xi).</td><td><u>Financial and Miscellaneous Income (FMI)</u>:
Explain the reasons for not estimating any FMI income for the years 2017-18 to 2019-20.</td><td>No such income is estimated for the next 3 years as the income are casual and non-recurring nature.</td></tr>
<tr><td>(7).</td><td>Capital Employed:</td><td></td></tr>
<tr><td>(i).</td><td>As against additions to the gross block aggregating to ₹7949.26 lakhs for the years 2014-15 to 2016-17 allowed in the last tariff cycle, the aggregate of actual additions reported to the gross block for the years 2014-15 and 2015-16 and estimates for 2016-17 is ₹17.30 lakhs. The actual addition to the gross block of assets widely varies from the additions to gross block considered in the last Order which was based on the submission made by VSPL. Explain the reasons for significant variations from the proposed plan of additions to the Gross block vis-à-vis the actual deployment for each of the items considered in the last tariff Order. Also, furnish yearwise details of actual additions to the gross block vis-à-vis the additions to gross block considered in the last tariff revision of the VSPL based on the estimates of VSPL brought out in para 12(xxvii)(a) of the May 2015 Order.</td><td>
<table>
<tr><th rowspan="2">Sl. No.</th><th rowspan="2">Name of the Asset</th><th colspan="2">Additions to Gross Block</th><th>Remarks</th></tr>
<tr><th>Proposed by VSPL</th><th>Actual investment</th><th></th></tr>
<tr><td></td><td>FY 2014-15</td><td colspan="2">Amt in Lakhs</td><td></td></tr>
<tr><td>1</td><td>Dredging</td><td>820.80</td><td>877.55</td><td>(A)</td></tr>
<tr><td>2</td><td>Additions to Gross Block</td><td></td><td>46.62</td><td></td></tr>
<tr><td></td><td>FY 2015-16</td><td></td><td></td><td></td></tr>
<tr><td>1</td><td>Strengthening of berth super structure and wharf</td><td>2,380.77</td><td>508.08</td><td>(B)</td></tr>
<tr><td>2</td><td>Additions to Gross Block</td><td></td><td>6.76</td><td></td></tr>
<tr><td></td><td>FY 2016-17</td><td></td><td></td><td></td></tr>
<tr><td>1</td><td>Development of Storage yard at Exim Park</td><td>4,747.69</td><td>398.71</td><td>(C)</td></tr>
<tr><td></td><td>Additions to Gross Block</td><td></td><td>33.03</td><td></td></tr>
<tr><td></td><td></td><td>7,949.26</td><td>1,870.75</td><td></td></tr>
</table>

Reasons for significant variation is submitted item wise below:

(A) Dredging:
There is no variation.

(B) Strengthening of berth super structure:
Estimates for Strengthening of berth structure was first made based on earlier instructions of VPT regarding methodology of strengthening. Our board decided to have a second opinion on stability of our berths for 16.1 Meter draft. Accordingly, second opinion was obtained from STUP consultants, the designer of our berth, who confirmed stability of our berth for 16.0 meter dredged depth. Then, VPT conducted an independent study by a Professor of I.I.T, Chennai and agreed for strengthening of EQ-9 berth by erecting 34 Piles and connecting the same with existing berth structure while according approval for deepening our berths to -16.10 Meters. Hence the variation in expenditure.

(C) Development of storage yard at Exim Park
This has been explained in detail.
As explained under paras (iv)(a) and viii(b).</td></tr>
<tr><td>(ii).</td><td>Since the year 2016-17 is already over, the estimates furnished in Form 4A may be updated with reference to the actuals as per Audited Accounts with consequent modification, if necessary, in the estimates for the years 2017-18 to 2019-20.</td><td>Form 4A has been updated with required modifications in the estimates for 2017-18 to 2019-20.</td></tr>
<tr><td>(iii).</td><td>The net block of assets considered in the cost statement in Form 4A do not match with net value of fixed assets</td><td>Form 4 A matches with Gross block excluding upfront fee of ₹8.3 crores paid to VPT, which is being amortised over the license period. Similarly</td></tr>
</table>

	reported in the Annual Accounts for the years 2014-15 and 2015-16. Please reconcile the difference for the said two years and 2016-17 actuals as well.	net block is also matches excluding upfront fee, after amortised amount thereon.
(iv).	The actual additions to the gross block estimated in the year 2017-18 may be substantiated with copies of Bills settled/ work orders issued/ budgetary quotations, as the case may be. The present status of the additions proposed to the gross block in the years 2017-18 may also be furnished for each of the assets.	Work orders furnished as Appendix XVI and XVII.
(v).	The VSPL had envisaged a capital expenditure of ₹47.48 crores for development of storage yard in the year 2016-17 and the same was allowed by the Authority in determining tariff vide Order passed in May 2015 for the reasons stated in para 12(xxvii)(a)(ii)(c) of the Order. This was considered subject to the condition that if at the time of review of actuals it is found that the proposed investment does not materialise in the year 2016-17, the advantage accrued to VSPL on that account will be assessed and fully adjusted in the next tariff cycle. The VSPL in the current proposal has stated that the capital expenditure proposed for development of land at EXIM Park has not materialised in the year 2016-17. The VSPL, therefore, to quantify the advantage accrued i.e. surplus accrued to VSPL for the years 2016-17 on account of this investment allowed in the last tariff revision to enable full adjustment of the same in the current tariff cycle in line with the decision of the Authority in May 2015 Order. Furnish detailed working in this regard.	Our position regarding why this capital expenditure was not materialized in the last tariff cycle was explained in detail above under our reply to query 7(i)-Capital employed. Due to intense competition, customers are not willing to bear the additional transportation cost to EXIM Park. In the meantime, VPT informed proposal of allotment of additional lands to BOTs in their vicinities and VSPL has also accordingly applied for allotment of additional land in its vicinity. Pending that VSPL has already surrendered the 21 acres at EXIM Park. However, we submit to the authorities that our traffic volume for 2012-13 and 2013-14 in our last tariff cycle was projected at a higher level of 6.75 Million Tons for 2012-13 and 7.09 Mn. MTs for 2013-14 against our earlier projections for 2012-13 and 2013-14 due to factoring of this capex of ₹47.48 crores. Without this proposed capex, the said enhanced throughputs of 2012-13 and 2013-14 could not be projected to be achieved. Hence, no advantage could be said to have accrued as the projected revenue surplus too would come down due to reduced annual throughput for 2012-13 and 2013-14 (Projections) which is necessitated to be recomputed in the absence of this Capex. Such unforeseen events happen practically and beyond our control. Hence, the authorities are requested not to view this as an accrued benefit to us in the last tariff cycle calling for adjustment in the current tariff cycle. In fact as may be noted from the consolidated Income and Cost statement, the actual surplus is negative and no benefit has accrued to us.
(vi).	It may be confirmed that the entire proposed capital expenditure will be capitalized in the books of accounts of the same year and also the assets worth the equal amount will be physically available for operation in the very same year. In this regard, it	Confirmed that the entire proposed capital expenditure in each of the years will be capitalized in the books of account of the same year and will be physically available for operation in the very same year.

	may be borne in mind that capital work-in-progress is not counted towards capital employed for the purpose of allowing return thereon.	
(vii).	Please confirm as to whether the proposed investment/ addition to gross block is as per License Agreement.	It is confirmed that the proposed investment/ addition to gross block are in accordance with our License agreement.
(viii).	(a). Additions to gross block towards strengthening of berth in Form 4A is ₹4.98 crores in the year 2017-18. However, in Form 4B the capex for this item is shown as ₹3.0 lakhs. The correct position may be indicated.	Additions to Gross block are ₹4.98 crore only. Due to clerical mistake we have shown as ₹3 Lakhs in Form 4 B. Now corrected.
	(b). The basis for unit rates considered and the basis for Lump sum considered for cost estimation of strengthening of EQ-9 Berth may be furnished. (Annex-V).	VSPL has carried similar work through M/s.Vijay Nirman Company during the year 14-15. Unit rates have taken from this work order with 7% escalation and estimates have been made for Piling and civil works. Now work order has been given to M/s.Srivatsa Techno Corporation by way of open tender for the said work. Copy of the work order given to M/s.Srivatsa is furnished as Appendix - XVI. Cost estimation on account of purchase of steel and RMC is estimated on prevailing market rates for the required quantity. Bills enclosed to establish rate per tonne and rate per cum. Meter. Appendix - XVII a & b. Remaining works for ₹81 lakhs in respect of Sl. No.5 to 9 of Annexure V, estimates were made based on the prevailing market rates as given by our Civil engineering department. As of today, ₹4.28 crore is spent towards strengthening of EQ 9 berth and the balance work in progress.
	(c). The VSPL to confirm that impact of additional traffic and improvement in operational efficiency stated in Form 4B in respect of the above investment is captured in the cost statement.	No additional traffic and improvement in operational efficiency are projected in respect of investment as investment projected is only for strengthening.
(8).	**Working Capital:**	
(i).	Clause 2.9.9 of the tariff guidelines stipulates norms for estimating sundry debtors at two months' Estate income & Railway Terminal charges for estimating the working capital. The estimation of Sundry debtors at half month's cargo handling revenue is not in accordance with the norms prescribed in the guidelines.	Sundry debtors has been now estimated at two months of our operational income as per clause 2.9.9. In our case, the income from Estate and Railway Terminal charges are not applicable as in the case of Major Ports.
(ii).	Clause 2.9.9 of the tariff guidelines stipulates norms for estimating limit on inventory for capital spares will be one years average consumption and in case of other items of inventory	As per the norms of clause 2.9.9, Inventory has been taken at six months of our spares consumption excluding fuel. - Appendix – XVIII a, b and C **Year** | **Stores Consumption (in lakhs)** | **6 Months**

<table>
<tr><td></td><td>the limit will be six months average consumption of stores excluding stores. It seen from the soft copy of the proposal that the VSPL has considered the inventory consumption of the year 2013-14 for the year 2017-18 also. This is not found to be in line with the norms prescribed in clause 2.9.9. of the 2005 tariff guidelines. The inventory allowable in the working capital may be modified as per the norms prescribed in the guidelines for the past period 2014-15 to 2016-17 and for future estimates 2017-18 to 2019-20 as well.</td><td><table><tr><td>2014-15</td><td>260</td><td>130</td></tr><tr><td>2015-16</td><td>257</td><td>128.5</td></tr><tr><td>2016-17</td><td>312</td><td>156</td></tr></table>
Accordingly future estimates were modified in line with 2016-17.</td></tr>
<tr><td>(iii).</td><td>The current liabilities considered in the cost statement in Form 4A do not match with current liabilities reported in the Annual Accounts for the years 2014-15 and 2015-16. Please reconcile the difference for the said two years and 2016-17 actuals as well.</td><td><table><tr><th>Particulars</th><th>2014-15</th><th>2015-16</th><th>2016-17</th></tr><tr><td>Other current liabilities as per Financials</td><td>36,39,35,320</td><td>37,52,27,193</td><td>32,01,53,000</td></tr><tr><td>Less: Current maturities of long term borrowing (classification as per Companies Act)</td><td>18,45,10,613</td><td>21,55,86,083</td><td>21,94,71,000</td></tr><tr><td>Current liabilities as per Form 4 A</td><td>17,94,24,707</td><td>15,96,41,110</td><td>10,06,82,000</td></tr></table></td></tr>
<tr><td>(9).</td><td>Allocation of expenses and capital employed between cargo and vessel related activity:
The VSPL to furnish the following information/ clarification with reference to allocation of cost done by VSPL for drawing the activity-wise cost statement for cargo handling activity and vessel related activity:</td><td></td></tr>
<tr><td>(i).</td><td>Please confirm whether the cost statements for cargo and vessel related activities are prepared in line with the general instruction given in the Form 5 of the cost format.</td><td>Confirmed that the cost statement for cargo and vessel related activities are prepared in line with the general instructions given in Form 5.</td></tr>
<tr><td>(ii).</td><td>Please also confirm that the basis of allocation of the expenses and capital employed between the two sub-activities is in line with the methodology followed by the Authority in the Order No.TAMP/18/2014-VSPL dated 15 May 2015.</td><td>We confirm that the basis of allocation of the expenses and capital employed between the two sub activities is in line with TAMP order.</td></tr>
<tr><td>C.</td><td>SCALE OF RATES</td><td></td></tr>
<tr><td>(i).</td><td>Schedule 1.2 of General Terms & Conditions
The penal rate of interest in note 8(i) and (ii) is proposed at 16.25%. This needs to be updated at 2% above the prevailing Prime Lending Rate of State Bank of India (which is presently 13.85%) as per clause 2.18.2. of the tariff guidelines.</td><td>Updated at 15.85%.</td></tr>
<tr><td>(ii).</td><td>The VSPL to furnish the reasons for adding the word “and shifting” to the condition 4(i) under general notes relating to Berth hire.</td><td>Modified in SOR.</td></tr>
<tr><td>(iii).</td><td>Clause 4.2.2. of the tariff guidelines</td><td>These two goods are rarest items and not handled</td></tr>
</table>

	of 2005 calls for phasing out of ad-valorem rates over a maximum period of five years. However, the VSPL has proposed wharfage rates on ad-valorem basis for electrical goods and machinery. In this context, the VSPL to propose unit rates for electrical goods and machinery on the basis of cost of handling and special care, if any, required to be taken while handling the said cargo.	generally. Hence cost of handling and other factors to be considered will have to be gained by experience in due course. We therefore request for continuation of ad-valorem rate for the present.
(iv).	The existing SOR of VSPL prescribes tariff under Section – 4 for Railway siding administration and maintenance charges at ₹3.20 per tonne or part thereof. However, the VSPL has proposed to remove this tariff in proposed SOR. However, while estimating the cargo handling income, the VSPL has considered this service and included in the cargo handling income. The VSPL to furnish the reasons for deletion of this tariff item and explain the tariff that will be levied in future for this service.	No revenue from Railway siding administration and maintenance charges has been considered in the Projected Revenue at Proposed Rates. The said tariff could not be collected from any user and hence withdrawn. No tariff is accordingly proposed for this service.
(v).	The Authority has passed the following common adoption Orders for all Major Port Trusts/ BOT operators. The VSPL is, accordingly, requested to include suitable notes in the SOR in respect of the following common adoption Orders passed by the Authority:	
	(a). Order No.TAMP/53/2015-VOCPT dated 26 November 2015 relating to provision prescribed for System of classification of vessel for levy for Vessel Related Charges (VRC) and Criteria for levy of Vessel Related Charges and Concessional Coastal rate.	Suitable note has been included as under: Criteria for levy of cargo Handling charges at Concessional rate: 1. Foreign going Indian vessels having General Trading License for worldwide and coastal operation will be charged coastal rates with respect to handling charges when a.) Converted to Coastal run and carrying cargo from any Indian Port destined for any other Indian Port. b.) Not converted to Coastal run but carrying coastal cargo from any Indian Port and destined for any other Indian Port. 2. In the case of Foreign flag vessel converted to Coastal run on the basis of specified period of License by the Director General of Shipping and a Customs Conversion order, coastal rates will be charged with respect to handling charges for the Coastal cargo loaded from any Indian Port destined for any other Indian Port.
	(b). Order No.TAMP/14/2016-Misc dated 9 February 2016 relating to prescription of lower charges for cargo & vessel related services as well as special discount in port charges for the services rendered	Our operations are carried out 24X7 basis and there is no concept of regular hours. This order has been made with an objective to decongest the Ports and encourage utilizing port services beyond regular hours in all Ports. But, it is learnt that this condition is not made applicable to BOT operators

	after regular hours by the Major Port Trusts and BOT Operators operating thereat in pursuance of MOS letter No.PD/14033/101/2015-PD.V dated 3 February 2016.	under 2008 and 2013 Guidelines. It is also understood that this conditionality is not prescribed by the Authorities in the proposed tariff revision proposal of VCTPL. Hence it is requested not to include this note.

9.3. The VSPL in its covering letter dated 05 October 2017 has submitted the following while furnishing information/ clarification sought by us, which is summarised hereunder:

(i). Figures have been updated based on actuals for 2016-17 as advised.

(ii). Preliminary and upfront fee write off figures maintained at ₹33.10 lakhs.

(iii). VSPL has surrendered 21 acres of land out of the 30 acres allotted at EXIM Park with effect from 1.4.2017. The Plot rental income has been estimated accordingly for 9 acres for EXIM Park land for the years 2017-18 to 2019-20 targeting those customers requiring longer storage period.

(iv). Clause 2.16.1. of Tariff guidelines of 2005 provides that rates prescribed in SOR are ceiling rates and Rebates/discounts are floor levels. This does not prohibit that such discounts/rebates shall not be recognized for calculation of actual income during tariff fixation. It is pertinent to note that as per the communication of TAMP vide letter No.TAMP/46/2015-Misc. dated 24 July 2015, only the actual income earned by the operator to be considered and not notional income. We have entered into a three years contract with SAIL valid upto 17.08.2020 at a firm rate of ₹172.53 per Tonne all inclusive against the proposed SOR rate of ₹201 PMT inclusive of ITSC, wharfage, DSS, plot rent and tarpaulin charges. Our projections for 2017-18 to 2019-20 capture income from SAIL at the proposed SOR. Hence, we request for exclusion of the above said notional income from SAIL amounting to ₹17.08 Crores which has been included in our Projections from 2017-18 to 2019-20.

(v). In respect of estimation of Land lease rentals payable to VPT the issue remains unsettled with VPT as VPT has been demanding us to pay exorbitant lease rental retrospectively from 01.04.2013 at the Zone 1 A Industrial rates fixed by the Authority in the Order dated 27 December 2016. Same is contrary to the provisions of our License agreement and we have already sought a clarification from the Authority vide our letter dated 04 July 2017 on the applicability of the said order to VSPL. But, no clarification has been received from the Authorities so far. In this regard, attention of the Authorities are also invited to our detailed note on this issue in our covering letter dated 10.02.2017 submitted with our original tariff proposal. Hence in our current tariff proposal, Lease rentals have been estimated at pre-revised rate of ₹0.90/Sq.M/week for lands allotted under License Agreement. We have disputed the claim of VPT to the extent of ₹15.93 Crores for the period from 1.4.2013 to 31.3.2018 in this regard.

(vi). There is a change in classification of assets as per Indian Accounting Standards (IND AS) to be followed by VSPL as per Companies Act, 2013 from Financial Year 2016-17. The Project berths and Plant and Equipment have been classified as Intangible Assets for amortization over the License period in the audited financials of 2016-17.

9.4. The VSPL under the cover of its letter dated 05 October 2017 has modified/ updated the cost estimates for the tariff cycle of three years from 2017-18 to 2019-20 based on the Audited Financials for the year 2016-17.

9.5. A summary of the overall cost position for the years 2014-15 to 2016-17 based on the actuals and estimates for the years 2017-18 to 2019-20 at the existing level of tariff as per the updated cost statements furnished by the VSPL is tabulated below:

(**₹ in lakhs**)

Sl. No.	**Particulars**	**Actuals**			**Estimates at the existing tariff**		
		2014-15	**2015-16**	**2016-17**	**2017-18**	**2018-19**	**2019-20**
(i).	**Traffic (in MMT)**	5.18	4.52	6.32	6.20	6.32	6.44

Sl. No.	Particulars	Actuals			Estimates at the existing tariff		
		2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
(ii).	Total Operating Income	11431.96	10563.63	13366.46	12851.48	13108.51	13367.81
(iii).	Total Operating Cost (including depreciation, management overheads and FMI – FME)	9036.27	9385.78	10166.63	10821.90	11100.34	11367.11
(iv).	Capital Employed	20976.95	20859.19	20560.48	19527.27	17973.19	16443.98
(v).	ROCE	3356.31	3337.47	3289.67	3124.36	2875.71	2631.03
(vi).	**Net Surplus/ (Deficit)**	**(960.62)**	**(2159.62)**	**(89.84)**	**(1094.78)**	**(867.54)**	**(630.33)**
(vii).	Net Surplus/ (Deficit) as % of operating income	(-)8.40%	(-)20.44%	(-)0.67%	(-)13%	(-)11%	(-)9%
(viii).	Average net surplus/ deficit in % for three years	(-)9.84%			(-)10.70%		

9.6. Following are the changes made by VSPL in the SOR compared to the original proposal dated 10 February 2017:

(i). Berth hire charges are proposed to be increased from USD 0.0072 to USD 0.0090 in view of the deficit in revenue requirement under vessel related activity.

(ii). Cargo handling charges for availing consolidated BMHS services is proposed to be reduced from ₹150 PMT to ₹140 PMT to compete with market and ensure higher utilization of BMHS.

(iii). The words “and shifting” to the condition 4(i) in the notes to SOR under Berth Hire charges, has been deleted.

(iv). The following notes have been included, in accordance with the TAMP Order No.TAMP/53/2015-VOCPT dated 26 November 2015.

(a). Foreign going Indian Vessels having General Trading Licence for worldwide and coastal operation will be charged coastal rates with respect to handling charges when
(i). Converted to Coastal run and carrying cargo from any Indian Port destined for any other Indian Port.
(ii). Not converted to Coastal run but carrying coastal cargo from any Indian Port and destined for any other Indian Port.

(b). In the case of Foreign Flag vessel converted to Coastal run on the basis of specified period of License by the Director General of Shipping and a Customs Conversion Order, Coastal rates will be charged with respect to handling charges for the Coastal cargo loaded from any Indian Port and destined for any other Indian Port.

(v). Finally, VSPL has submitted that due to severe competitive scenario from Intra and inter ports coupled with non-level playing field caused by fixing of different rates by Authorities for different Port terminals at Vizag under various tariff guidelines, VSPL, the first Bulk cargo BOT project of VPT is still not able to generate the 16% ROCE envisaged by the 2005 Tariff guidelines despite its operation for more than 13 years. The peculiar problems faced by VSPL as the first BOT project of VPT that are impairing earning the required return on Capital employed has been highlighted from time to time to the Authorities. VSPL has requested to view its concerns objectively while finalizing its tariff proposal.

10. The VPT was also requested vide our letter dated 28 June 2017 to furnish additional information/ clarifications on a few points by 12 July 2017. After reminders, the VPT vide its letter dated 05 September 2017 has furnished its reply. A summary of the additional information/ clarifications sought by us and the corresponding replies furnished by the VPT is tabulated below:

Sl. No.	Information/ clarifications sought by us	Reply furnished by VPT
(1).	The VSPL has reported actual	The traffic handled at EQ-8&9 (VSPL) was 5.13MT,

	traffic handling for the years 2014-15 and 2015-16 at 5.18 Million Metric Tonne Per Annum (MTPA) and 4.52 MTPA respectively. Please confirm traffic reported by the VSPL. Similarly, actual traffic handled by VSPL for the year 2016-17 may also please be furnished.	4.45MT and 6.36MT during 2014-15, 2015-16 and 2016-17 respectively.
(2).	(a). The VSPL has estimated the traffic at 6.00 MT, 6.12 MT and 6.24 MT for the years 2017-18 to 2019-20. Please comment on the reasonableness of the traffic projected by the VSPL and also taking in to consideration investment proposed by VSPL on repairs and strengthening of berth.	VSPL mainly handles bulk cargoes such as Coal, Coke, Ores, Gypsum, other Dry bulk and Break bulk cargoes. Government of India has increased domestic production of coal and discouraging imports. As such, coal cargo handled at these berths is likely to be declined completely. Therefore, the projection indicated by VSPL appears to be reasonable.
	(b). The VSPL has stated that development of PPP project on multipurpose berths at EQ-2 to EQ-5, WQ-7 and WQ-8 impacts its traffic projection. The VPT to comment on the same.	The development of multi-purpose berths at EQ-2 to EQ-5, WQ-7 & WQ-8 are not through PPP mode. EQ-2 to EQ-5 already existing and are being reconstructed whereas, WQ-7 and WQ-8 are new berths. Impact of these berths on the traffic of VSPL depends on factors such as cargo handling equipment, tariff among other things since, VSPL berths are comparatively old vis-à-vis EQ-2 to EQ-5 and WQ-7 and WQ-8, there may not be significant impact on its traffic.
(3).	VSPL has maintained the assessed capacity of the terminal at the existing level, i.e. 7.7 MT for all the years 2017-18 to 2019-20. Please comment on correctness of the capacity of the terminal assessed by VSPL taking into consideration capital investment proposed by VSPL during 2017-18.	Capacity assessed by TAMP during the previous revision of SOR in respect of M/s.VSPL was 7.70 million tonnes as on 31-03-2017. It is seen from the statement of capital employed for the terminal under Business assets that no significant investment towards capacity enhancement is shown by the operator. As such, it is opined that there appears to be no augmentation of capacity by the operators.
(4).	As per the Audited Annual Accounts, the Revenue share paid by VSPL to VPT for the years 2014-15 and 2015-16 is reported at ₹392.15 lakhs and ₹469.76 lakhs respectively. In this regard, the VPT is requested to confirm the Revenue share figures reported by the VSPL. Similarly, the VPT is also requested furnish the Revenue share payment received/ receivable from VSPL for the year 2016-17.	Royalty figures reported by VSPL for the year 2014-15 is ₹392.15 lakhs and for the year 2015-16 it is ₹469.76 lakhs is confirmed. Royalty received during 2016-17 is ₹696.16 lakhs.
(5).	(i). Confirm the maintenance dredging cost of ₹53.98 lakhs reported by the VSPL in the year 2014-15. The VPT is also requested to furnish the details with respect to bills raised on VSPL, if any, towards maintenance dredging for the years 2015-16 and 2016-17.	The maintenance dredging cost incurred for the year 2014-15 is ₹49.84 lakhs (excluding service tax). Bill amounts raised on M/s.VSPL for the year 2015-16 and 2016-17 are as follows: 2015-16 - NIL 2016-17 - ₹13.12 lakhs (excluding service tax)

<table>
<tr><td></td><td>(ii). (a). The VSPL has estimated maintenance dredging cost for engagement of port dredgers based on the charges of VPT at ₹415384 per shift for 24 shifts for each of the years 2017-18 to 2019-20 and escalated by 2.46% per annum. Please comment on the correctness of the maintenance dredging cost estimated by the VSPL for the years 2017-18 to 2019-20.</td><td>The escalation rate of 2.46% is felt reasonable on the dredging per shift cost of ₹4,15,384/-. Regarding number of shifts of deployment, it is to state that M/s.VSPL deployed VPT dredger for 12 shifts in 2014-15, Nil shifts in 2015-16 and 3 shifts in 2016-17. Hence, reasonableness of deployment and dredging cost cannot be certified.</td></tr>
<tr><td></td><td>(b). The VSPL has stated that it has entered into a supplementary agreement with VPT on 20 June 2015 as a part of main License Agreement allowing VSPL to dredge its berths to -16.10 mtrs at VSPL costs. In this regard, the VPT to forward a copy of the supplementary License Agreement entered with VSPL and confirm the relevant clause allowing the dredging cost in the fixation of tariff.</td><td>A copy of Supplementary/ Separate License Agreement entered with VSPL is furnished.</td></tr>
<tr><td>(6).</td><td>(i). Please confirm the lease rentals of ₹72.71 lakhs and ₹173.40 lakhs reported by VSPL for the years 2014-15 and 2015-16 is as per the provisions of the LA entered with VSPL and the Schedule of Rent approved by the Authority for VPT. The lease rent paid by the VSPL for the year 2016-17 may also be indicated.</td><td>It is to inform that how the VSPL has arrived and method followed for calculation of the lease rentals amounting to ₹72.71 lakhs and ₹173.40 lakhs for the years 2014-15 and 2015-16 is not known and hence it is not possible to confirm the same. However, the details showing extent-wise and year-wise rents claimed provisionally by VPT and paid by the VSPL are tabulated hereunder:
<u>M/s.VSPL Rental Statement for the period 2014-15, 2015-16 and 2016-17</u>
<table>
<tr><th rowspan="2">Sl. No.</th><th rowspan="2">Extents</th><th colspan="3">Period</th><th rowspan="2">Type of rent</th></tr>
<tr><th>2014-15</th><th>2015-16</th><th>2016-17</th></tr>
<tr><td>1</td><td>97,876.57 m^2</td><td>52,79,086.00</td><td>53,06,366.00</td><td>54,31,044.00</td><td rowspan="4">Port Scale of Rates (as mentioned in the lease agreement)</td></tr>
<tr><td>2.</td><td>13,473.40 m^2</td><td>7,27,964.00</td><td>7,31,726.00</td><td>7,48,918.00</td></tr>
<tr><td>3</td><td>6,360.00 m^2</td><td>3,45,109.00</td><td>3,46,892.00</td><td>3,55,043.00</td></tr>
<tr><td>4</td><td>3,805.18 m^2</td><td>2,10,301.00</td><td>2,11,387.00</td><td>2,16,354.00</td></tr>
<tr><td></td><td>TOTAL</td><td>65,63,460.00</td><td>65,96,371.00</td><td>67,51,359.00</td><td></td></tr>
</table>
</td></tr>
<tr><td></td><td>(ii). Also confirm, the lease rent considered by VSPL for the years 2014-15 to 2016-17 for 121700 sq. mtrs. of land at ₹90.55 per 100 sq. mtr. per week and for the building at ₹62986 per month considered by VSPL in the current proposal is as per the provisions of the License Agreement.</td><td>In regard to lease rent, it is submitted that the VPT has claimed rentals of ₹115.35 ps per 100 sq. mtrs. or part thereof for the first week and ₹90.55 per 100 sq. mtrs. or part thereof for 2nd week onwards as per the Port SOR which was published in A.P. Gazette Extraordinary No.96 dated 05.06.2006 (Part-III Section 4) in accordance with the License Agreement.

Regarding the building, the rents are being charged as shown below:
1) @ ₹3,496/- per room per month (total 6 rooms)
2) @ ₹19,987/- per month for Canteen building
3) @ ₹7,704/- per month for two rooms existing in the canteen building.</td></tr>
<tr><td></td><td>(iii). In the current proposal, the VPSL has at para 5 of the proposal stated that lease rentals</td><td>In regard to item no.(iii) the firm has stated that the lease rentals approved vide Order dated 15.01.2016 is not applicable for the lands allotted to BOT</td></tr>
</table>

	approved vide Order dated 15 January 2016 is not applicable for the lands allotted to BOT Operators. The VSPL has also stated that there was no methodology prescribed in the Land policy guidelines 2014 for the lands allotted to BOT operators where the lands were allotted on long term basis and separate lease agreement were entered. In the absence of specific methodology in the land policy guidelines 2014 for fixation of land rentals for lands allotted to BOT operators, the proper course would be to seek clarification from the Government and till the clarification is received from the Government, the lease rental fixed vide Order dated 15 January 2016 shall not be applied for VSPL. In this regard, the VPT to furnish its specific remarks on the submissions of VSPL.	operators. In this connection, it is to submit that according to the license agreement dated 28.11.2001 and long term lease agreement entered on 29.07.2005, it was mentioned that "the licensee shall pay to the licenser, the land lease rentals as per VPT SOR prevailing from time to time, that the VPT was hither to charging VSPL, the license fee for open cargo storage collected for temporally licence of its plots which was part of VPTs general SOR. However, the rates given by TAMP for open stack area not applicable to long term leases. Hence, the rate which they stated is not applicable. Now, the TAMP in their order dated 27.12.2016 vide item no.1-C General Condition No.5 has ordered that "Zone-1A industrial rate will be applicable for the existing firms which are paying previously as per SOR". In view of the above orders, the bills were revised with effect from 01.04.2013 and sent to the firm for arranging payment. But, the firm has returned the bills duly stating that in accordance with the LA the present rates are not applicable to them and requested to revise the same as per the Port revised SOR as was done earlier.
	(iv). In the current proposal, the VPSL has also estimated lease rental for additional land of 30.5 acre at EXIM Park which is stated to have been registered only in July 2015. In this regard, the following points may be clarified:	
	(a). Even during the last revision, the VSPL had estimated lease rent for additional land at EXIM Park for the years 2016-17. During the last tariff revision, the estimate of lease rent for additional land was allowed by the Authority. In the current tariff revision proposal, the VSPL has stated that the land was registered only in July 2015 and the basic infrastructure facilities like connecting road, rail line link, etc. are yet to be provided by the Licensor. The reason for delay in the allotment of the land to the VSPL may please be clarified.	In regard to Point no.iv, it is submitted that after protracted correspondence and meetings had with the Chairman, VPT with the VSPL representatives, finally it was decided that the date of registration of the "Lease Agreement" shall be considered as date of handing over of the land to VSPL, i.e., dated 29.07.2015.
	(b). The VPT to once again confirm the date of allotment of land to the VSPL and the exact area.	
	(c). Clause 5.3. of the License Agreement allows Licensor to make available additional land or	It is further to submit that in terms of licence agreement vide Appendix-3 (Licensor Assets), that the ***"90,000 sq. mtrs. of land in the dock area***

	other premises at lease rent or other charges payable as mutually agreed between the Licensor and Licensee. Please confirm that the lease rent estimated for additional land at ₹132.00 lakhs in the year 2017-18 and 2% annual escalation in the subsequent two year is in line with the provisions in the License Agreement. Please indicate the unit lease rent applicable for the additional land at EXIM Park. If the lease rent approved by the Authority for VPT lands is adopted then please give reference of the same in the Order approved by the Authority.	***behind the EQ-8 and EQ-9 berths (45,000 sq. mtrs. each for berths) upto the customs compound wall is the backup space to be leased to the licensee in dock area. Land rentals as per scale of rates in force shall be payable by the licensee to licensor for this land. The lease rent payable for waterfront and backup space rate in force as on date is ₹3,000/- / 100 sq. mtrs. per annum at present. The same is subject to "periodic revision of scale of rate, land outside the licensed premises. In the event of land, if any, asked for by the licensee beyond the licensed premises is allotted and rent also shall be payable for that land as per Commercial Rent as shall be fixed by the Port from time to time".*** In view of the above terms of license agreement, the commercial rent is applicable for the additional land of Ac, 30.00 allotted in "EXIM PARK" area from the date of handing over i.e. from 29.07.2015, as detailed above. Accordingly, rentals for the said extent is being claimed as per commercial rate as approved by TAMP with annual escalation @ 2% per annum and the basic infrastructure facilities like road, rail, etc. will be provided as per the license agreement.
(7).	Please comment on the reasonableness of the additions ₹4.98 crores to the gross block proposed by VSPL on strengthening of berth super structure and wharf proposed by VSPL during the year 2017-18.	The additions of ₹4.98 cores to the gross block proposed by VSPL towards strengthening of berth super structure appears to be reasonable.
(8).	Reference is drawn to para 12(ii) of the Order dated 15 May 2015 which elaborately deals with the advice given to VPT in the Order dated 11 October 2011 to file a suitable proposal stating that the tariff arrangement for operations authorized by VPT to VSPL at GCB does not have the approval of the Authority. However, the VPT has not filed any proposal even after specific directions. In this regard, the decision of the Authority taken in the May 2015 Order stating that tariff arrangement followed for operations authorized by the VPT to VSPL at GCB and barge services offered by the VSPL for the period of such operations was allowed by VPT to VSPL till the VGCBL commenced its operations at GCB does not have the approval of the Authority is reiterated, is brought to the notice of VPT again.	Since, April 8th, 2013 i.e. the date of commencement of commercial operations at VGCB, there were no Barge or Floating crane operations at GCB. These operations seized long back and at present the said issue holds no relevancy.
(9).	Reference is drawn to para 12(vi)(l) of the Order dated 15 May	It is to reiterate that the said capital expenditure of ₹16.08 crores reported by VSPL in the year 2009-10

	2015 which elaborately deals with the reasoning for disallowing of the capital dredging expenditure at ₹16.08 crores incurred by VSPL. In the said Order, VPT had stated that the MOU with VSPL has been withdrawn and reiterated its earlier stand that the said capital expenditure incurred by VSPL is not required to be considered for tariff revision since the same is not in line with the provisions of the License Agreement. However, in the current exercise, the VSPL has requested to allow the said capex of ₹16.08 crores incurred towards deepening of channel/ berth and capitalized in the year 2009-10 by the VSPL for the submissions now made by the VSPL. In this regard, the VPT is requested to clarify whether the request of the VSPL is to be considered in the current tariff revision in view of the point made by the VPT in the last tariff Order dated 15 May 2015.	is not in line with the provisions of License Agreement.

11.1. Subsequently, the VSPL vide its letter dated 04 July 2017 has made further submissions as summarised below:

(i). TAMP has notified Orders on 10 March 2016 and 27 December 2016 for use of VPT lands regarding a) Fixing License fee for open cargo storage upto 11 months and b) Fixing lease rentals for the quinquennial period 2013-18 w.e.f. 01.04.2013 as per Land Policy, 2014 respectively. While issuing both the said Orders, the Authority has dealt with regarding applicability of these Orders to BOT operator i.e. VCTPL stating that the Tariff is fixed by the Authority following the applicable Land Policy of the Government issued from time to time and the Authority does not like to interfere in the matter of individual lease agreements entered by VPT with individual Licensees. In other words, it is stated that applicability of the tariffs in the said two orders are subject to the provisions of the concerned License Agreements entered by VPT with the BOT operators.

(ii). Our License Agreement dated 28 November 2001 and Long term lease agreement entered on 29 July 2005, provides as, *“The Licensee shall pay to the Licensor the land lease rentals as per VPT SOR prevailing from time to time.”* VPT was hitherto charging VSPL, License fee for open cargo storage collected for temporary License of its plots which was part of General SOR of VPT. However, for the first time now, this has been substituted as, “Schedule of Rent” by the Authority in the General SOR of VPT, vide its Order No.TAMP/48/2014-VPT dated 15 January 2016. This Schedule of Rent forms part of the General SOR of VPT accordingly. The tariff of this item was fixed at ₹6.24/ tonne prospectively from date of implementation of the said Order. VPT has notified 50% discount on this tariff item and collecting ₹3.11/Sq/M/Week.

(iii). VSPL have been representing to VPT vide letters dated 11 April 2017 and 27 June 2017 that quinquennium rates with retrospective effect is not applicable for VSPL and the discounted rate of License fee fixed by TAMP under General SOR shall be applicable as per the provisions of our License Agreement and requested VPT not to raise any bill without clarifying the issue to us.

(iv). During our meeting with VPT on 24 March 2017, it was informed that Zone 1A Industrial rate will be applicable for Licensed lands of VSPL terminal as per the note of General conditions for levy of long term lease rental as per Order of the Authority dated 27 December 2016. However, VSPL informed that same cannot be applied, as it contravenes our License Agreement with VPT and Order portion of the Authority also clearly states it is subject to provisions of the respective License Agreements.

(v). Accordingly, we sent a detailed representation to VPT vide letter dated 11 April 2017 not to raise bills in this regard before examining our view points. However, without responding to any of our representations, VPT has forwarded their invoices claiming huge amount of ₹15.09 crores applying the quinquennial rates for Industrial use retrospectively from 1.4.2013. As these bills were raised in violation of our License agreement and without disposing our representations made in this regard, we have returned all the bills in original to VPT as the same are not acceptable to us.

(vi). It is submitted that while approving the said note, stating that Zone 1A Industrial rates are applicable for firms which are paying SOR, the Authority, vide para 17 (xxv) of the tariff Order dated 27 December 2016 have stated that the note is approved as a clarificatory note based on VPTs assertion that for License fee upto 11 months, the tariff fixed under its Order notified on 10 March 2016 is applicable and for Long term Leases beyond 11 months, the tariff Order dated 27 December 2016 is applicable. In other words, it is not meant to apply notwithstanding anything contained in the License Agreement of the BOTs with VPT.

(vii). The VSPL has not yet received bills for the additional lands allotted at EXIM Park. However, VSPL has represented that additional lands at EXIM Park shall be charged at Industrial rates applicable for that Zone as the land is allotted and can be used only for handling and storage of cargo and not for commercial purpose. The tariff Order specifies the tariff under three categories based on the usage of the land for that purpose.

(viii). Our tariff revision proposal for tariff cycle 2017-2020 which is already submitted to the Authority on which several information have been now sought, will be greatly impacted by the huge financial liability on account of these revision of lease rentals by VPT for VSPL terminal and EXIM Park lands. Hence, VSPL requests the tariff Authority to clarify the applicability or otherwise of both the above said Orders of TAMP to VSPL.

11.2. As regards clarification sought by the VSPL, the VSPL vide our letter dated 22 August 2017 was requested to refer para 16(x)(a) of the Order No.TAMP/48/2014-VPT dated 15 January 2016 and para 17(xxv) of the Order No.TAMP/80/2015-VPT dated 17 November 2016 notified on 10 March 2016 and 27 December 2016 respectively.

11.3. A copy of the VSPL's letter dated 04 July 2017 was forwarded to VPT with a request to furnish its point-wise comments immediately vide our letter dated 23 August 2017. The VPT has not responded till disposal of this tariff case, despite a reminder dated 27 December 2017.

12. Subsequently, the VSPL vide its e-mail dated 28 December 2017 has furnished the following break up as regards lease rent for the year 2016-17:

Lease rents to VPT during FY 16-17

Lease Rent as per VSPL for 30 Acre Land at Exim Park						
From	**To**	**Area in sq. mtrs.**	**Days**	**Acres**	**Rate per sq. mtr./ per month**	**Lease Rent**

01-Aug-15	31-Mar-16	1,21,200	244	30	14.83	1,46,14,582
01-Apr-16	31-Mar-17	1,21,200	365	30	15.12	2,22,99,217
						3,69,13,799
Less : Rent for 9 Acres land was capitalised						1,10,74,140
Rent considered in the year 2016-17 for Land at EXIM park						**2,58,39,659**
VSPL Terminal Area						
		Area in sq. mtrs.	**Days**	**Acres**	**Rate per 100 sq. mtr./ per week**	**Lease Rent**
VSPL Terminal Area		121700	365	30.12	90.55	58,40,566
Lease rents to Workers Amenities Building						16,14,359
Lease rents to VPT two additional plots on temporary basis taken from VPT in front of Workers amenities building						9,11,107
Total expenditure for the year considered in the cost statement:						**3,42,05,691**

Lease rents to VPT during FY 17-18						
From	**To**	**Area in sq. mtrs.**	**Days**	**Acres**	**Rate per sq. mtr./ per month**	**Lease Rent**
01-Apr-17	31-Mar-18	36,360	365	9	15.42	67,28,054
Terminal Area						
From	**To**	**Area in sq. mtrs.**	**Days**	**Acres**	**Rate per 100 sq. mtr./ per week**	**Lease Rent**
01-04-2017	31-03-2018	121700	365	30.124	90.55	58,40,566
Lease rents to Workers Amenities Building						7,55,832
Total expenditure for the year:						**1,33,24,452**

13. The VSPL vide its e-mail dated 3 January 2018 has made following submissions with regard to customs manning for the years 2017-18 to 2019-20:

(i). VSPL have contested payment of Cost Recovery (CR) charges for the customs staff deployed at VSPL terminal during the period from October 2012 to June 2014, before Hon'ble High Court of Andhra Pradesh (AP). However, as per the interim order dated 08 May 2014 of the Hon'ble High Court of AP, VSPL had paid 50% of outstanding amount payable upto June 2014 i.e., ₹68,88,275 vide CM No.79/06.06.2014. This amount was not taken as expenditure in VSPL books in view of getting exemption from Customs department.

(ii). Further, VSPL had approached Commissioner of customs vide Letter No.516/2017 dated 01 July 2017 requesting them to waive of the cost recovery charges in view of application filed for exemption from payment of charges. Office of the Commissioner of customs rejected the request for waiver of CR charges citing VSPL has failed to achieve the required threshold performance norms under Board Circular no.16/2013 dated 10 April 2013. Again VSPL had approached Hon’ble High court of AP and filed WP no.33341 of 2017 praying to re-examine the circular issued by Customs for eligibility of grant of exemption from payment of CR charges. In response to WP, Hon'ble High Court of AP vide its order dated 09 October 2017 has granted interim stay of the impugned notice subject to condition that the petitioner pays 50% of the demand within 8 weeks. Accordingly VSPL have paid 50% of claim of ₹1,31,60,261/- towards charges for period from July 2014 to September 2017.

(iii). As VSPL’s request for exemption is rejected by the department, VSPL is likely to pay the demand of customs on receipt of judgment from Hon'ble High court of AP. Hence VSPL have made provision for customs manning charges for the next 3 years. In view of recent demand notice, VSPL request the Authority to consider the expenditure towards customs manning. The VSPL has also furnished copy of Customs demand dated 01.10.2012 and Customs demand dated 22.06.2017 in support to their estimate and have furnished detailed working of their estimates for the years 2017-18 to 2019-20.

14. Subsequently, the VSPL vide its e-mail dated 09 January 2018 has furnished detailed statement showing the hire charge for HMC collected by VSPL in view of the interim Order of the Hon'ble High Court dated 19.12.2011 permitting VSPL to collect hire charge for HMC at ₹72.75 per tonne, the hire charge for HMC of ₹36.70 per tonne as per the rate approved in October 2011 Order and excess collection for the period from 01 April 2014 to till the revised Order dated 15 May 2015 came into effect i.e. 9 July 2017 but VSPL has furnished till 07 July 2015. A summary position furnished by VSPL based on detailed statement is tabulated below:

Year	Revenue collected by VSPL from hire of HMC in pursuance of the interim Order of the Hon'ble High Court dated 19.12.2011	Revenue collectable for hire of HMC at the rate ₹36.70 per tonne as approved by this Authority in the October 2011 Order	Excess revenue collected by VSPL over and above the rate for HMC approved by this Authority based on the interim Order of the Hon'ble High Court for the period from 19.12.2011 (date of interim Order of Hon'ble High Court) till 09.07.2015 i.e. revised rate approved in May 2015 Order came into effect
2014-15	124,291,963	101,128,145	23,163,818
2015-16 (upto 7.7.2015)	24,240,493	19,624,686	4,615,808
Total	**148,532,456 Refer Note**	**120,752,831**	**27,779,625**

The statements furnished by the VSPL shows that VSPL has collected hire of HMC in the range of ₹38.20 per tonne to ₹47.75 per tonne for the period 1 April 2015 till 7 July 2015.

15. The proceedings relating to consultation in this case are available on records at the office of this Authority. An excerpt of the 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.

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

(i). (a). The existing Scale of Rates (SOR) of Vizag Seaport Private Limited (VSPL) was approved in May 2015 vide Order No.TAMP/18/2014-VSPL dated 15 May 2015 with the initial validity till 31 March 2017.
Subsequently, this Authority, based on the request made by the VSPL, has extended the validity of SOR of VSPL vide Order No.TAMP/18/2014-VSPL dated 29 March 2017 till 30 June 2017 subject to the condition that surplus over and above the admissible cost and permissible return for the period post 01 April 2017, if any, will be setoff fully in the tariff to be determined.

(b). It is recalled that the VSPL has filed Writ Petition No.33402 of 2011 challenging the tariff Order of October 2011 in the Hon'ble High Court of Andhra Pradesh to the extent of reduction effected by this Authority in the tariff of Harbour Mobile Crane (HMC) from ₹72.75 per tonne to ₹36.70 per tonne. The Hon'ble High Court has passed an interim Order on 19 December 2011 permitting the VSPL to charge and collect at ₹72.75 per tonne until further orders. The Hon'ble Court has also directed VSPL that for all such tariffs, levied and collected on HMC after 22.12.2011, the Petitioner shall keep an account of every such transactions and in the event of the Petitioner not succeeding in its Writ Petition, amount collected by VSPL over and above the tariff of ₹36.70 per tonne fixed under the impugned order shall be subject to further orders of the Hon'ble Court. The Writ Petition is yet to be disposed of by the Hon'ble Court.

Notwithstanding the above position, subsequent to tariff Order of October 2011 whose validity was prescribed till 31 March 2014, the VSPL had filed the proposal in March 2014 for revision of its then existing Scale of Rates including revision in the rate of HMC from ₹36.70 PMT approved by this Authority in October 2011 Order to ₹64.00 per tonne apart from revision in other tariff items. This Authority, based on the proposal of VSPL and based on deficit position in the cost statement had in the last tariff revision Order dated 15 May 2015, increased hire charges for Harbour Mobile Crane from ₹36.70 per tonne to ₹64/- per tonne (i.e. 74.38% increase), shore handling charges from ₹40/- per tonne to ₹45/- per tonne (i.e. 12.5% increase), berth hire charges increased by 260% and charges for Bulk Material Handling System was reduced as proposed by VSPL. The VSPL has implemented the said Order of this Authority whose validity was prescribed till 31 March 2017 in the said Order.

The current proposal filed by the VSPL is for revision of the rates for the period beyond the expiry of its validity of the SOR based on the estimates for the years 2017-18 to 2019-20. There is no direction from the Hon'ble High Court of Andhra Pradesh restraining this Authority to revise the Scale of Rates of the VSPL in the writ petition no.33402 of 2011 filed by VSPL challenging the tariff Order of October 2011 tariff pending before the Hon'ble High Court.

(ii). The initial proposal filed by the VSPL in February 2017 was for three years period covering 2017-18 to 2019-20, wherein the figures furnished in the cost statement for the year 2016-17 were actuals for the first six months i.e. upto 30.09.2016. Subsequently, the VSPL, has filed revised proposal under cover of its letter dated 05 October 2017 substituting the estimates of 2016-17 with actuals for the full year and has also modified the estimates for the years 2017-18 to 2019-20 based on 2016-17 actuals as suggested by us. The revised proposal filed by the VSPL vide its letter dated 05 October 2017 and additional information/ clarification furnished by VSPL during the proceedings of this case along with the input given by the VPT are considered for the purpose of this analysis.

(iii). (a). As brought out in para 11 (ii) (a) of the October 2011 Order and para 12 (iii) (a) of the May 2015, the VSPL had disclosed during the tariff revision in the Order dated October 2011 that it carried out operations at the General Cargo Berth (GCB) of the Visakhapatnam Port Trust (VPT) based on a separate agreement entered by them with the Steel Authority of India Limited (SAIL). The VSPL stated that it had entered into long term contract with the SAIL in the year 2001 which, however, did not materialise as the licensor VPT could not meet the required draft at the inner harbour for berthing panamax vessel. The VSPL had, therefore, entered into a separate agreement with SAIL for discharge of Panamax Vessels at the GCB of VPT using floating cranes chartered by VSPL and also provide lighterage services through barge and service for coastal movement.

This Authority reiterates the position held in Orders of October 2011 and May 2015 that it is not inclined to go into individual agreements entered by the VSPL. The License Agreement entered by the VSPL with the VPT is for construction, operation and maintenance of two berths viz. EQ8 and EQ9 at the VPT. This Authority had observed in the said Orders that the operations carried out by the VSPL at GCB operations do not flow from the License Agreement entered by VSPL with VPT, but on the basis of the bilateral agreement entered by VSPL with SAIL. It is for the landlord port trust to satisfy itself on the question whether a SPV like VSPL can be permitted to undertake operations which are not covered by the License Agreement.

(b). In the last tariff revision Order dated May 2015 in the para 12 (iii) (c) and Order of VSPL dated 11 October 2011 in paragraph 11 (ii) (c), this Authority had categorically held that the tariff arrangement relating to floating crane operations at GCB and barge services offered by the VSPL do not have the approval of this Authority. It was also made explicit that though these services are not governed by the LA entered with the VPT for berth no.EQ8 and EQ9, it needs to be regulated by this Authority as these services are listed in Section 42 of the Major Port Trusts Act 1963. If the authorization granted by VPT to VSPL to offer services is beyond the scope of License Agreement and is other than by way of a BOT arrangement, the said Order required VPT to initiate action with reference to Chapter 7 of the tariff guidelines and was allowed time upto 31 December 2011 to file its proposal in this regard. Though the VPT vide its letter No.ITRA/SBE/FTAMP/MISC dated 28 January 2014 had agreed to file suitable proposal in this regard no proposal was received from the VPT so far in the matter. During the last revision, the VSPL had, however, stated that the floating crane operations at GCB has ceased long back and at present no floating cranes are being operated.

The VSPL had also stated that charges for lighterage of SAIL vessels are directly paid by SAIL to Vizag General Cargo Berth Private Limited (VGCBPL), the BOT operator of the VPT who has commenced commercial operations at GCB from April 2013 under BOT arrangement. Notwithstanding the above position stated by the VSPL, this Authority would like to make its position abundantly clear reiterating that the tariff arrangement followed for operations authorised by the VPT to VSPL at GCB and barge services and floating crane services offered by the VSPL for the period of such operations was allowed by VPT to VSPL till the VGCBPL commenced the operations at GCB do not have the approval of this Authority.

(iv). Before analyzing the actuals vis-à-vis the estimates for the immediately past tariff cycle as required under clause 2.13 of the tariff guidelines of 2005, it is relevant here to state that the Annual Accounts of the VSPL for the years 2014-15 and 2015-16 report income from GCB and expenditure for GCB operations for each of the years 2014-15 to 2016-17 separately. The VSPL has stated that as per the contracts with various customers, VSPL has an obligation to do lighterage / handle their fully laden vessels at General Cargo berth /outer harbour berth at Visakhapatnam. Income earned and expenditure on account of above services are shown as separately in Annual Accounts for each of the years 2014-15 to 2016-17. It is also relevant here to state that as per the License Agreement dated 28 November 2001 entered by VSPL with the VPT, the license granted to VSPL is for operation, management and maintenance of two multi-purpose berths EQ8 and EQ9. The tariff approved by this Authority in the last tariff revision Order is for services rendered by VSPL at EQ8 and EQ9 berths. In the cost statement now furnished, the VSPL has rightly excluded the income for the years 2014-15 and 2015-16 and expenses for the years 2014-15 to 2016-17 reported in the Annual Accounts with reference the operations carried out by it at the GCB. For the year 2016-17, no income is reported in the audited Annual Accounts. The GCB related figures furnished by the VSPL which are separately reported in their Annual Accounts is relied upon. Since the proposal before this Authority is to review the tariff for the operations carried out by VSPL at berth nos.EQ8 and EQ9, income and expense reportedly pertaining to the operations at GCB need to be excluded as done by VSPL. This is in line with the approach followed in the last tariff Order.

(v). Clause 2.13 of the tariff guidelines of 2005 mandates this Authority to review the actual physical and financial performance of the Major Port Trust and private terminal at the end of the prescribed tariff validity period with reference to the projections relied upon at time of fixing the prevailing tariff.

During the last review of tariff of VSPL, this Authority had approved tariff based on estimates for the years 2014-15 to 2016-17. As such, it is necessary to make a comparison of the estimates for the years 2014-15 to 2016-17 with the actuals for the said years. The approach followed in the last Order to arrive at the estimated position is adopted to assess the actual net surplus/ deficit for the years 2014-15 to 2016-17. The actual performance of VSPL during the years 2014-15 to 2016-17 as against the estimates along with modifications done in the cost statement filed by the VSPL are analysed below:

(a). The items of actual income and expenditure furnished by the VSPL in the cost statement do not match with the individual figures reported in the Annual Accounts as the classification of items in the Accounts are different from the cost statement and also on account of adjustment done in the cost statement on a few items. The VSPL has, however, furnished a statement reconciling the total income, total expenses, depreciation considered in the cost statement with the relevant figures reported in the Annual Accounts and hence the actuals as given by VSPL in its cost statement are considered in this analysis subject to a few modifications as explained in the subsequent paragraphs.

(b). The actual traffic handled by VSPL is 51.89 lakh tonnes, 45.25 lakh tonnes and 63.27 lakh tonnes during the years 2014-15 to 2016-17 respectively aggregating to 160.41 lakh tonnes, as against the estimated traffic of 53.50 lakh tonnes, 64.25 lakh tonnes and 70.23 lakh tonnes aggregating to 187.98 lakh tonnes in the tariff Order of May 2015 for the corresponding period. The landlord port VPT has indicated the actual traffic handled by the VSPL at 51.3 lakh tonnes, 44.5 lakh tonnes and 63.6 lakh tonnes for the years 2014-15 to 2016-17 respectively aggregating to 159.4 lakh tonnes which is found to be marginally lower than the actual traffic reported by the VSPL. The actual traffic as reported by the VSPL is considered for the purpose of this analysis. The variation in the physical performance is 14.67% negative i.e. actual traffic is lower than the estimated traffic by 14.67% for the period 2014-15 to 2016-17.

(c). The income estimates considered in the last tariff Order are adjusted for tariff increase/ reduction granted in the last tariff Order for a like to like comparison with the actual income.

(d). As stated in earlier paragraphs, the VSPL has filed Writ Petition No.33402 of 2011 challenging the tariff Order of October 2011 in the Hon'ble High Court of Andhra Pradesh to the extent of reduction effected by this Authority in the tariff Order of Harbour Mobile Crane (HMC) from ₹72.75 per tonne to ₹36.70 per tonne. The Hon'ble High Court has passed an interim Order on 19 December 2011 permitting the VSPL to charge and collect at ₹72.75 per tonne until further orders. The Hon'ble Court has also directed VSPL that for all such tariffs, levied and collected on HMC after 22.12.2011, the Petitioner shall keep an account of every such transactions and in the event of the Petitioner not succeeding in its Writ Petition, amount collected by VSPL over and above the tariff of ₹36.70 per tonne fixed under the impugned order shall be subject to further orders of the Hon'ble Court.

During the last tariff revision, as brought out in para 12(vi)(b) Annual Accounts of the VSPL for the years 2011-12 (from 19.12.2011) to 2013-14 reported the income from HMC collected at the rate higher than ₹36.70 per tonne approved by this Authority. The VSPL had considered the actual income from HMC reported in the Annual Accounts for the years 2011-12 to 2013-14 for the past period analysis done in the last tariff revision exercise. In view of the specific interim Order of the Hon'ble High Court permitting VSPL to collect the pre-revised rate of ₹72.75 per tonne and also the direction of the Hon'ble High Court to VSPL to keep the separate accounts for the differential revenue collected which is subject to the decision of the Court, the actual revenue from HMC reported in the Annual Accounts for the years 2011-12 to 2013-14 was considered for the purpose of past period analysis as done by VSPL. The same approach is followed for the actual revenue from HMC for the years 2014-15 and 2015-16 i.e. till 9 July 2015 when the revised rates approved by this Authority in the Order of 15 May 2015 came into effect.

In the last tariff revision Order of May 2015, at para 12 (vi)(b) of, a summary position based on the statement furnished by the VSPL in the last tariff revision of the actual revenue collected by VSPL towards hire charge from HMC and the revenue collectable as per the rate of ₹36.70 per tonne approved by this Authority in October 2011 Order and excess revenue collected from HMC over and above the approved tariff for the period from 19 December 2011 (i.e. the date of the Order of the Hon'ble High Court) to 31 March 2014 was assessed by VSPL which was tabulated therein. As per the said table, the VSPL has assessed the total differential revenue collected by it over and above the tariff for HMC approved by this Authority in the October 2011 Order at ₹412.58 lakhs for the period 2011-12 i.e. from 19 December 2011 being the date of the interim Order of the Hon'ble High Court to 31 March 2014.

The said tariff Order states that the differential amount collected by the VSPL for the period from 2014-15 and 2015-16 till the revised rates Order of 15 May 2015 approved by this Authority comes into effect would also have to be assessed by VSPL and kept in a separate account for every such transactions in compliance with the directions of the Hon'ble High Court. The VSPL has, during the proceedings of the current proposal, furnished a statement of the actual revenue collected from HMC and the revenue collectable as per the rate of ₹36.70 per tonne approved by this Authority in October 2011 and assessed differential revenue collected from HMC over and above the approved tariff for the period 2014-15 and 2015-16 upto 7 July 2015 (the date of the revised rate approved by this Authority vide Order dated 15 May 2015 came into effect is 9 July 2015). That being so, the summary position furnished in the para 12 (vi)(b) of the May 2015 Order is updated with the position for the years 2014-15 and 2015-16 upto 7 July 2015 based on the statement furnished by the VSPL and is tabulated below:

Year	**Revenue collected by VSPL from hire of HMC in pursuance of the interim Order of the Hon'ble High Court dated 19.12.2011**	**Revenue collectable for hire of HMC at the rate ₹36.70 per tonne as approved by this Authority in the October 2011 Order**	**Differential revenue collected by VSPL over and above the rate for HMC approved by this Authority based on the interim Order of the Hon'ble High Court for the period from 19.12.2011 (date of interim Order of Hon'ble High Court) till 09.07.2015 i.e. revised rate approved in May 2015 Order came into effect**
2011-12 (from 19.12.2011) (Refer Note A)	22,018,254	17,582,150	4,435,744
2012-13	82,924,841	65,957,810	16,967,031
2013-14	90,609,219	70,753,209	19,856,011
Total – A (as furnished in para 12(iv) (b) of the Order dated 15 May 2015)	**195,552,314 (Refer Note B)**	**154,293,529**	**41,258,786**
2014-15	124,291,963	101,128,145	23,163,818
2015-16 (upto			4,615,808

7.7.2015)	24,240,493	19,624,686	
Total B	**148,532,456 Refer Note (C)**	**120,752,831**	**27,779,625**
Grand Total (A+B)	**344,084,770**	**275,046,359**	**69,038,411**

(A). *The interim Order of the Hon'ble High Court directed VSPL to keep separate account of differential levy collected after 22.12.2011. VSPL has, however, furnished the details from 19.12.2011 i.e. from the date of the interim Order of the Hon'ble High Court.*

(B). *The VSPL has reported during processing of May 2015 Order that they are not able to collect ₹72.75 permitted by the Hon'ble High Court. The statements furnished by the VSPL shows that VSPL has collected different rates for hire of HMC in the range of ₹36.95 per tonne to ₹49.50 per tonne.*

(C) *The statements furnished by the VSPL during the processing of this case shows that VSPL has collected hire charges of HMC in the range of ₹38.20 per tonne to ₹47.74 per tonne for the period 1 April 2014 till 7 July 2015.*

Thus, from the above table as furnished by the VSPL, it can be seen that the VSPL has assessed the total differential revenue collected by it over and above the tariff approved by this Authority at ₹690.38 lakhs for the period 2011-12 i.e. from 19 December 2011 being the date of the interim Order of the Hon'ble High Court to 7 July 2015. The total differential collection by VSPL is subject to the final decision of the Hon'ble High Court in the Writ Petition filed by VSPL.

(e). The VSPL has stated that as per the short term agreement for handling of cargo with M/s.Steel Authority of India Limited, VSPL had agreed to provide integrated terminal services for an average rate of ₹178/- PMT, which is ₹28/ton Less than the rate approved by this Authority.

As regards the point made by VSPL about short term agreement entered by VSPL with SAIL, the decision of this Authority recorded in para 11(ii)(a) of the Order dated 11 October 2011 and para 12 (iv) of the Order dated 15 May 2015 is reiterated. As stated in the said Order this Authority has already declined to go into individual agreements entered by the VSPL and individual user SAIL. This position has been reiterated in our letter No.TAMP/34/2003-Misc dated 18 March 2014 addressed to SAIL and a copy endorsed to VSPL.

The VSPL has furnished year wise discount/ rebates offered by VSPL to SAIL from April 2014 to March 2017 aggregating to the tune of ₹12.23 crores. It is relevant here to state that the actual income considered in the cost statement for the past period analysis is based on actual income reported in the Annual Accounts of VSPL for each of the years 2014-15 to 2016-17 which is net income after discount offered by the VSPL, in line with the opinion of the Attorney General for India.

(f). The Annual Accounts of VSPL for the year 2016-17 in the revenue as well as in expenditure captures ₹416.55 lakhs towards "Service concession development". From the reconciliation statement furnished by VSPL, it is seen that the VSPL has excluded this item both from income as well the expenditure side while analysing the past period referring to note 4.34 of the Annual Accounts. From the said note 4.34 of Audited Annual Accounts of the year 2016-17, it is understood that this item flows from the requirement of the Indian Accounting Standards (IND AS) adopted by the VSPL from the financial year 2016-17 as per Companies Act, 2013.

The said item arising on account of the VSPL complying with the requirement of IND AS is not relevant for the tariff fixation by this Authority which is governed by the Tariff Guidelines of 2005. The VSPL has rightly excluded ₹416.55 lakhs towards Service concession under both the income side and expenditure side in the past period analysis which is considered.

(g). From the reconciliation statement furnished by VSPL, it is seen that the income to the tune of ₹43.22 lakhs in the year 2014-15 is excluded from the operating income citing that it is towards reimbursement of siding and haulage charges to VPT railways. The VSPL has clarified that Siding and haulage charges are collected and fully remitted to VPT Railways for availing Railway services from VPT. Hence, the same has been excluded from operating income. Whilst the VSPL has excluded ₹43.22 lakhs from the actual income side, it has not made similar exclusion on the expenditure side. That being so, in our analysis, income of ₹43.22 lakhs in 2014-15 towards Siding and haulage charges reported in the audited Annual Accounts for the year 2014-15 is considered in the past period analysis.

(h). The VSPL has excluded provision of ₹276.85 lakhs made by it as per IND AS in the Annual Accounts of the year 2016-17 towards replacement cost of assets towards restoring the project facilities to a specified level of serviceability during the end of the project period in the cost statement for the past period analysis. The said adjustment done by the VSPL is found to be in order and hence considered.

(i). On the expenditure side, the VSPL has excluded operating expenditure to the tune of ₹1094.24 lakhs, ₹474.98 lakhs and ₹429.25 lakhs for the years 2014-15 to 2016-17 respectively towards GCB operations. The VSPL during the earlier tariff revision of 2011 and 2015 had stated that no common expenses and common assets are apportioned to GCB operations and its contribution is limited to offering managerial expertise. For reasons stated earlier, expenditure relating to GCB operations reported by the VSPL in the Audited Annual Accounts are relied upon and excluded from the cost statement in line with the approach followed by VSPL as done in the last tariff revision.

(j). The Annual Accounts of VSPL shows an expenditure of ₹297.91 lakhs, ₹163.86 lakhs and ₹46.30 lakhs for the years 2014-15, 2015-16 and 2016-17 respectively aggregating to ₹508.07 lakhs crores towards penalty for shortfall in the committed discharge rate. This expenditure is on account of bilateral agreement entered by it with SAIL wherein the VSPL has to pay penalty to SAIL for shortfall in the agreed productivity levels both at the EQ berths as well as at the GCB. Expenditure reported towards shortfall in discharge rates for handling panamax vessel of SAIL arising out of bilateral agreement between SAIL and VSPL was not allowed during the last tariff revision Orders. The VSPL has excluded this penalty for not achieving committed discharge rate to SAIL. The above adjustment is in line with the approach followed in the last tariff Order and hence accepted.

(k). The lease rent reported in the Annual Accounts for the years 2014-15 to 2016-17 is ₹72.71 lakhs, ₹73.40 lakhs and ₹478.88 lakhs respectively. When requested to confirm that the lease considered by VSPL is as per as per the provisions of the LA entered with VSPL and the Schedule of Rent approved by this Authority, the VPT has stated that method followed for calculation of the lease rentals of ₹72.71 lakhs and ₹73.40 lakhs for the years 2014-15 and 2015-16 is not known and hence it is not possible to confirm the same. The VPT has furnished extent-wise and year-wise lease rent claimed provisionally by VPT and paid by the VSPL at ₹65.63 lakhs, ₹65.96 lakhs and ₹67.51 lakhs for the years 2014-15 to 2016-17 respectively and has stated that it is as per the port Scale of Rates and as mentioned in the lease agreement. The VPT has not explained the reasons for the differential lease rent which is reported in the Audited Annual Accounts of VSPL for each of the years 2014-15 to 2016-17. The note to the Annual Accounts of the VSPL for the years 2014-15 to 2016-17 states that VSPL leases land from VPT under non cancellable operating lease from VPT and temporary housing from others under cancellable operating lease and break up of lease rent for two categories are reported. Since, the lease rent are as reported in the Audited Annual Accounts of VSPL for each of the said years 2014-15 and 2016-17, the same is considered as considered by VSPL also.

As regards 2016-17, the VSPL has furnished detailed working of the lease rent considered by it in the cost statement for 30 acre land at EXIM Park, 30.12 acres at terminal area, lease rent to workers amenities buildings and for two additional plots at ₹342.06 lakhs as against ₹478.88 lakhs reported in the Annual Accounts of the VSPL for the year 2016-17 which is brought out in the earlier paragraphs and reproduced below for ease of reference:

(in ₹)

A. Lease Rent for 30 Acre Land at Exim Park						
From	**To**	**Area in sq. mtrs.**	**Days**	**Acres**	**Rate per sq. mtr./ per month**	**Lease Rent**
01.08.15	31.03.16	1,21,200	244	30	14.83	1,46,14,582 *
01.04.16	31.03.17	1,21,200	365	30	15.12	2,22,99,217 *
						3,69,13,799
Less : Rent for 9 Acres land was capitalised						1,10,74,140
Rent considered in the year 2016-17 for Land at EXIM park						**2,58,39,659**
B Lease rent for VSPL Terminal Area						
VSPL Terminal Area		**Area in sq. mtrs.**	**Days**	**Acres**	**Rate per 100 sq. mtr./ per week**	**Lease Rent**
		121700	365	30.12	90.55	58,40,566 [121700 * 90.55 * 53 weeks]
C. Lease rents to Workers Amenities Building						16,14,359
D. Lease rents to VPT two additional plots on temporary basis taken from VPT in front of Workers amenities building						9,11,107
Total expenditure for the year 2016-17 considered in the cost statement by VSPL						**3,42,05,691**

[* The lease rent figures comes to ₹1,44,18,563 and ₹2,19,90,528 as against ₹1,46,14,582 and ₹2,22,99,217 given by VSPL. There is slight mismatch. However, since the figures furnished by VSPL are reconciled with lease rent reported in Annual Accounts, the figures as furnished by VSPL are relied upon.]

It is seen that VPT has remained silent on lease rent paid by VSPL for the land allotted by VPT to VSPL at EXIM park. As brought out in para 12(xix) of the 15 May 2015 Order, relying on the submissions by VSPL that land is allotted by VPT to VSPL in January 2014 and advance lease rent was paid by VSPL to VPT based on allotment Order of the additional land dated 28 January 2014, this Authority had allowed lease rent on additional land of 30.5 acres at the level then estimated by VSPL.

The VSPL has confirmed to have paid Provisional rent and one year rent as Security deposit in the year 2013-14 claimed by VPT. The VSPL has stated that land allotment was completed only in second half of financial year 2015-16. Further, the VSPL has claimed that since VSPL has not received any bills from VPT, it had made provision for payment of lease rent to Exim park for the period July 2015 to March 2017 in the books of accounts for the year 2016-17. The VSPL has stated that the above position was beyond its control and no advantage has accrued to VSPL on this account as the consolidated Cost Statement reflects deficit for the years 2014-15 to 2016-17. The VSPL has excluded the provision towards lease rent made by it in the cost statement.

To summarise, the lease rent reported in the Annual Accounts of VSPL is ₹478.88 lakhs which reportedly includes provision made to the tune of ₹195.22 lakhs. Of the said provision, the VSPL has reversed ₹58.41 lakhs being the lease rent paid to VPT for 121700 sq. mtrs area. The balance provision of ₹136.82 lakhs has been excluded by VSPL and balance lease rent of ₹342.05 lakhs is considered by the VSPL for the year 2016-17 in the cost statement. Based on the details furnished by VSPL, the lease rent of ₹342.05 lakhs as considered by VSPL is taken into account.

(l). The interest income on deposits to the tune of ₹1512.76 lakhs, ₹1512.90 lakhs and ₹1457.80 lakhs reported in the Audited Annual Accounts for the years 2014-15 to 2016-17 respectively are excluded in line with the approach followed by the VSPL and approach accepted by this Authority in the cases of other BOT operators and Major Port Trusts. The VSPL has also excluded from FMI ₹294.41 lakhs and ₹6.84 lakhs in the year 2014-15 and 2015-16 which pertain to liabilities no longer required and hence written back. The VSPL has clarified that this item do not relate towards cargo operations of EQ8 or EQ9 but relates to charges/ penal interest/ finance charges. Therefore, the above adjustment done by the VSPL is accepted.

(m). During the last tariff revision, Liquidated Damages amounting to ₹2 crores paid by VSPL to VPT in the year 2008-09 arising from the arbitration award for delayed completion of construction of berth was added to the capital cost of the berth cost and depreciation and return thereon was allowed for reasons stated in para 12 (vi) (h) of the May 2015 Order. The same treatment is continued to be given in line with the approach followed in the last tariff Order. The cost statement has been suitably modified to capture this effect.

(n). The Management & Administration overheads considered by VSPL include ₹8.22 lakhs for the year 2016-17 towards bad debts written off and ₹57.27 lakhs and ₹54.89 lakhs for the years 2014-15 and 2015-16 respectively towards provision for doubtful receivables/ advances. This item was not a part of the estimates of Management & Administration overheads considered for the relevant years at the time of revision of tariff in May 2015. Further, as per the provisions contained in the existing Scale of Rates of VSPL, services are rendered on payment of the relevant charges in advance. That being so, the question of tariff fixing exercise recognising the credits extended by VSPL and writing off bad debt and making provision for doubtful debts does not arise. Hence, the bad debts written off and provision for doubtful debts are excluded for the purpose of analysis of the performance of VSPL.

(o). In compliance with Clause 2.8.1. of the tariff guidelines, revenue share to the extent quoted by the second highest bidder is allowable on the actuals, the approach which was followed in the last tariff Order of VSPL.

The Audited Annual Accounts of the VSPL report revenue share payment of ₹392.15 lakhs, ₹469.76 lakhs and ₹693.96 lakhs for the years 2014-15 to 2016-17 respectively. The VPT has also indicated the total revenue share payment which matches with the figures reported in the Audited Annual Accounts of the VSPL for the years 2014-15, 2015-16 and 2016-17.

The License Agreement stipulates that the licensee shall pay the licensor revenue share equivalent to 17.111% of the gross revenue earned by the licensee from the operation of the project facilities. The term gross revenue has not been specifically defined in the License Agreement signed in the year 2001. Both the VPT and the VSPL have earlier confirmed that as per revised bid document, the definition of "gross revenue" is deemed to include only "berth hire charges" and "cargo wharfage". Accordingly, during the last revision the revenue share to the level quoted by the next highest bidder i.e. 12.811% of the gross revenue from berth hire and cargo wharfage as informed by the VPT was allowed as pass through. In the current revision also, the VSPL has furnished year-wise gross revenue from berth hire and wharfage income and claimed 12.811% being the level quoted by the second bidder. The VPT has not objected to the revenue share computed by VSPL and claimed in the cost statement. The revenue share to the extent of second quote as furnished by VSPL is considered.

(p). As per the Agreement, Technical Service Fee of ₹10 millions per year is payable for a period of $3^{1/2}$ years from the date of commencement of operations at both the berths.

In the last tariff revision Order of 2015 as brought out in para 12 (vi) (k), the VSPL had furnished copies of Income Tax Assessment Orders for the financial years 2006-07 and 2007-08. The Income Tax Assessment Order furnished by the VSPL did not show that the 'Technical Service Fee' is disallowed by the Income-tax department. That being so, the Technical Service Fee was allowed as an expense. In the tariff revision 2011 Order, technical service fee paid by VSPL from 2006-07 onwards to 2009-10 to the extent remaining unamortised i.e. ₹287.76 lakhs was decided to be spread over the remaining period of the project i.e. 24 years from the year 2008 onwards i.e. 12.16 lakhs per annum. Accordingly, ammortised technical service fee of ₹12.16 lakhs is considered for each of the years 2014-15 to 2016-17 as considered by the VSPL in line with the approach followed in the last tariff Order.

(q). During the tariff revision in March 2009, the VSPL had proposed capital dredging of ₹49.95 crores in the year 2009-10 towards deepening/ widening of channel.

As per the LA, it is the obligation of the Licensor to undertake capital dredging at the cost and responsibility of the Licensee i.e. the VSPL. The VPT and the VSPL had entered into a Memorandum of Understanding in November 2006 wherein the VSPL had undertaken to deepen and widen entrance channel, inner harbour turning circle and waterways of northern arm of inner harbour to - 13.5 mtrs. The MOU had clearly stated that the VSPL shall not claim any compensation or incremental tariff on account of the capital dredging proposed to be undertaken as per the MOU. The VPT had also categorically stated during the 2009 revision that the capital dredging cost must not be included in the tariff revision exercise as per the MOU.

Since the capex relating to capital dredging claimed by VSPL was not found to be in line with the LA or as per the MOU entered between VSPL and VPT, the proposed capex was not allowed in the tariff revision of March 2009. Subsequently, during the tariff revision in October 2011, the VSPL reported that an expenditure of ₹16.08 crores has been incurred towards deepening of channel / berth and capitalized the same during the year 2009-10 and had requested to consider the same citing that the MOU entered by it with VPT had been withdrawn. Whilst the VPT had confirmed that the MOU with VSPL has been withdrawn, it had reiterated its earlier stand that the said capital expenditure incurred by VSPL is not required to be considered for tariff revision since the same is not in line with the provisions of the License Agreement. Therefore, the capital expenditure of ₹16.08 crores reported by VSPL in the year 2009-10 on this account was excluded in past period analysis carried out in the October 2011 Order. Same approach was followed in Order dated May 2015.

In the current revision the VSPL has again requested to allow the capex of ₹16.08 crores incurred towards deepening of channel/ berth and capitalized in the year 2009-10 by the VSPL citing that supplementary License Agreement dated 20 June 2015 has been entered between VSPL and VPT and hence has requested this Authority to re-consider this item. The VSPL has stated that the change with reference to the earlier tariff revision is that now a supplementary agreement has been entered permitting VSPL to deepen their berth fronts to -16.10 Meters and as such the Capex is brought within the ambit of License Agreement. When VSPL was requested to give reference to the relevant clause allowing the dredging cost in the fixation of tariff, the VSPL has stated that the Supplementary agreement was unilaterally finalized by VPT and VSPL had no choice except to enter the same for getting the dredging completed. Hence, there is no such specific clause in the Supplementary Agreement allowing this Capex in fixation of tariff. However, the VSPL has contended that hitherto, the expenditure was not allowed by this Authority for the reason that the same was entered outside the purview of the License Agreement by an MOU and in the said MOU there was a condition that VSPL shall not seek any tariff increase for this Capex. The said MOU having been withdrawn by mutual consent of Licensor and Licensee is not relevant now. The VSPL has stated that supplementary agreement dated 20 June 2015 entered between VSPL and VPT now forms part of the main License Agreement and accordingly this Capex is automatically brought under the purview of the License Agreement. The VSPL has referred to the provision in Tariff guidelines of 2005 which stipulates the eligibility conditions for allowing any Capital expenditure if done by the BOT operator as per the License Agreement. Clause 2.9.11 of the Tariff Guidelines of 2005 stipulates that in the case of private terminal operator, if the investment made is in accordance with the obligations under the concession agreement it will be considered for ROCE even if full capacity utilisation is not achieved.

The VPT was also requested to clarify whether to consider the request of the VSPL to allow the said capex of ₹16.08 crores incurred by VSPL towards deepening of channel/ berth and capitalized in the year 2009-10 by the VSPL in view the submissions now made by VSPL in the current proposal. The VPT has reiterated that the said capital expenditure of ₹16.08 crores reported by VSPL in the year 2009-10 is not in line with the provisions of License Agreement. The VPT has, however, while furnishing its reply not drawn reference to the supplementary agreement dated 20 June 2015 entered between VSPL and VPT to the main License Agreement wherein the Licensor VPT has permitted the VSPL to proceed with the execution of deepening of the berth front of EQ8 and EQ9 based on the technical feasibility conducted by IIT Madras.

The VSPL has stated that the said capex of ₹16.08 crores is in line with Article 7.3(iv) of its Licence agreement with VPT which stipulates that VPT and VSPL shall mutually cooperate to achieve the objective of the License agreement so as to achieve high throughput performance by optimum utilization of Project facilities of VSPL. The VSPL has stated that the said Capex has facilitated widening of entrance channel that paved the way for entry of Panamax vessels to the inner harbour berths of not only VSPL but also the berths of VPT.

In this regard it is to state that since the capex relating to capital dredging claimed by VSPL was not found to be in line with the LA or as per the MOU entered between VSPL and VPT, the proposed capex was not allowed in the tariff revision of March 2009. Subsequently, during the last tariff revision in October 2011, the VSPL reported that an expenditure of ₹16.08 crores has been incurred towards deepening of channel / berth and capitalized the same during the year 2009-10 and had requested to consider the same citing that the MOU entered by it with VPT had been withdrawn. Whilst the VPT had confirmed that the MOU with VSPL has been withdrawn, it had reiterated its earlier stand that the said capital expenditure incurred by VSPL is not required to be considered for tariff revision since the same is not in line with the provisions of the License Agreement. Therefore, the capital expenditure of ₹16.08 crores reported by VSPL in the year 2009-10 on this account was not considered in the tariff revision order of 2015.

In the current revision, the VSPL has requested referring to the supplementary agreement to the main License Agreement entered on 20 June 2015 between VSPL and VPT, this Authority to admit ₹16.08 crores incurred by VSPL towards capital dredging in the year 2009-10. The said supplementary agreement refers to the proposal of VSPL dated 27 December 2014 for capital dredging. The VPT in the current exercise has reiterated that the said capital expenditure of ₹16.08 crores reported by VSPL in the year 2009-10 is not in line with the provisions of License Agreement. In view of the VPT categorically stating that the said capex is not as per the LA and in view of clause 2.9.11 of the tariff guidelines of 2005, the capex incurred by VSPL in the year 2009-10 is not considered. In the last tariff Order it was not considered hence same position is maintained for the past period analysis. That being so, net fixed assets and depreciation are suitably adjusted to excluded this item. The port and VSPL may sit together and resolve the matter.

(r). As per clause 2.7.1 of Tariff Guidelines, 2005 in the case of private terminals, depreciation will be allowed, on straight-line method, with life norms adopted as per the Companies Act or based on the life norms prescribed in the concession agreements whichever is higher.

The VSPL has made suitable adjustment in the depreciation figure reported in the Audited Annual Accounts by excluding the depreciation component on the capitalized part of upfront fee in line with the approach followed in the last tariff Order. The depreciation figures for the years 2014-15 to 2016-17 as furnished by the VSPL are considered subject to adjustment relating to depreciation on capital dredging incurred in 2009-10 and liquidated damaged added to the capital cost of the berth as explained in earlier paragraphs in line with the decision taken in the last tariff Order. Apart from the above, the VSPL has excluded the depreciation to the tune of ₹152.20 lakhs in the year 2016-17 stating that this has been provided in the Accounts as per the provisions of IND AS.

The VSPL has stated that the depreciation considered in cost statements is based on useful life of assets whereas depreciation considered in the Annual Accounts for the year 2016-17 is based on balance license period. The said adjustment done by the VSPL is considered.

(s). In the last tariff Order of May 2015, the write-off of preliminary expenses was considered at ₹33.10 lakhs for the year 2014-15 to 2016-17. While analysing the actual position, the write-off of preliminary expense is maintained at ₹33.10 lakhs as considered by VSPL.

(t). The VSPL has reconciled the net fixed assets reported in the Annual Accounts for the years 2014-15 to 2016-17 and the net fixed assets considered in the cost statement. The adjustment is with reference to the upfront fee (net block) excluded on account of write off of this item during the project period. Whilst VSPL has excluded the entire net block of upfront fee, the unamortised part of upfront fee is added to the net fixed assets in the analysis and considered for the purpose of allowing return in line with the approach followed in the last tariff Order and also followed in the other tariff cases of the Private Terminal operators. Apart from this, the net fixed assets furnished by VSPL is adjusted i.e. excluded with reference to the capital dredging incurred in the year 2009-10, as explained earlier. Further, the net block with reference to the liquidated damages towards the cost of berth is added to the capital employed and considered for the purpose of allowing return in line with last tariff Order.

(vi). The working capital is analysed below:

(a). The VSPL has considered two month's operating income as Sundry Debtors for the years 2014-15 to 2016-17. This is not in line with the provisions contained in the tariff guidelines of 2005; as such, Sundry Debtors is considered as NIL.

(b). As per the Order passed by this Authority dated 30 September 2008 clarifying certain areas of approach followed in tariff fixation under 2005 guidelines, prepayments of certain expenses which flow from the provisions of the Licence Agreement can be considered as Sundry Debtors.

The License Agreement entered by the VSPL with the VPT, does not prescribe any advance payment of lease rentals.

As per Article 5.1 of the LA entered between VSPL and VPT, the revenue share is payable on or before 7^{th} day of the immediately subsequent month. It is thus clear that as per LA, the VSPL is not required to make any advance payment of revenue share also. In the case of the VSPL, it is found that none of the items flowing from the License Agreement qualify for consideration.

(c). The VSPL has furnished annual consumption of stores excluding fuels for the years 2014-15 to 2016-17 and has considered 50% i.e. six months of its actual spares consumption excluding fuel. The computation of inventory in the computation of current asset is in line with the provisions prescribed in the tariff guidelines. The figures furnished by the VSPL are considered.

(d). Cash balance has been calculated at one month's cash operating expenses including overheads as done during the last tariff revision of VSPL.

(e). The VSPL has considered current liabilities as per the Annual Accounts for the years 2014-15 to 2016-17 subject to exclusion of current maturity of long term debt. The current liability estimated by VSPL is considered in our analysis as done during the last tariff revision of VSPL.

(f). Subject to the above adjustments, Working Capital works out to be negative. Hence, it is considered as NIL. Thus, the Capital Employed comprises of only Net Block of Assets at ₹19543.77 lakhs, ₹19801.05 lakhs and ₹18421.57 lakhs for the years 2014-15 to 2016-17 respectively.

(g). Considering the capacity of the terminal at 7.70 million tonnes per annum considered in the last Order, the actual capacity utilization during the years 2014-15 to 2016-17 works out to 67%, 59% and 82% respectively which is also considered by VSPL. In the last tariff Order of May 2015, Return on capital employed was allowed at 16% for the years 2014-15 to 2016-17. The same position is maintained while analyzing the actuals for the said three years.

(vii). A copy of the cost statement analysing the actuals vis-à-vis estimates for the past period 2014-15 to 2016-17 is attached as **Annex - I**. A summary of the comparison of the actuals vis-à-vis the estimates considered in the last tariff Order is tabulated below:

(**₹ in lakhs**)

Particulars	**Aggregate for the years 2014-15 to 2016-17 in absolute terms (₹ in lakhs)**		**Variation in %**
	Estimates as per tariff Order	**Actuals**	
Traffic (in tonnes)	187.98	160.41	-14.67%
Operating Income	34875.23 *	35405.29 #	1.52%
Total Expenses (includes FMI less FME)	**26544.60**	**28271.25**	6.5%
Surplus/ deficit before Return	**8330.63**	**7134.04**	-14.36%
Capital Employed (Average)	21860.13	19255.46	-11.92%
16% Return on Capital Employed for the three years 2014-15 to 2016-17	10492.86	9242.62	-11.92%
Net Surplus (deficit) after ROCE	(-)2162.23	(-)2108.58	-2.48%

***** *The operating income estimates are updated to reflect the effect of tariff increase approved in the Tariff Order of May 2015 as well reduction in the tariff of Material Handling system for BMHS effected in the last tariff Order.*

 # As stated earlier, the actual income from hire of HMC reported in the Annual Accounts for the years 2014-15 and 2015-16 (i.e. upto 9 July 2015 till the revised rates approved in the Order dated 15 May 2015 came into effect) is higher than the rate approved by this Authority in the October 2011 Order in view of the interim Order of the Hon'ble High Court vide its Order dated 22 December 2011 permitting VSPL to charge the pre-revised rate of ₹72.75 per tonne pending disposal of the Writ Petition.

(viii). The findings of the analysis with reference to the past period relating to the years 2014-15 to 2016-17 are given below:

(a). The actual aggregate traffic handled by the VSPL is 160.41 lakh tonnes as against the estimated traffic of 187.98 lakh tonnes during the years 2014-15 to 2016-17. The variation in the physical parameters i.e. actual traffic handled is 14.67% less than the estimates.

(b). The operating income earned by the VSPL is ₹354.05 crores as against estimation of ₹348.75 crores for the corresponding period resulting in positive variance of 1.52%.

(c). On the expenditure side, the actual aggregate expenditure for the three years is ₹282.71 crores as against the estimated expenditure of ₹265.45

crores in the last Order for the corresponding period. The total actual expenditure thus shows positive variance of 6.5% in comparison to the expenditure estimated in the last tariff Order.

(d). The average capital employed for the years 2014-15 to 2016-17 is ₹192.55 crores as against average estimated capital employed of ₹218.60 crores. The variation in the average capital employed comes to 11.92% negative.

(e). As per the cost statement prepared by us, the VSPL has earned surplus of ₹2561.26 lakhs, ₹1298.53 lakhs and ₹3274.24 lakhs before return which aggregates to average surplus of ₹7134.04 lakhs for the years 2014-15 to 2016-17. The average return earned on the average capital employed thus works out to 12.35%, as shown in the following table:

(₹ in lakhs)

Particulars	**2014-15**	**2015-16**	**2016-17**	**Average**
Actual Surplus before return earned by VSPL	2,561.27	1,298.52	3,274.24	2378.01
Actual Capital Employed	19543.77	19801.05	18421.57	19255.46
Actual Return earned on capital employed	13.11%	6.56%	17.77%	12.35%

(f). It can be seen from the above analysis that the variation in the physical parameter i.e. actual traffic handled and financial performance in terms of operating income, expenses, capital employed and return on capital employed is less than +20%. Further, the VSPL has earned average return of 12.35% on the capital employed as against 16% return allowed in the last tariff Order and the variation in the return on capital employed is 22.9% negative which is more than +/(-) 20% variation.

It is seen from the cost statement that the VSPL has assessed net deficit after ROCE for the years 2014-15 to 2016-17 at ₹960.62 lakhs, ₹2,159.63 lakhs and ₹89.84 lakhs aggregating to total deficit of ₹3,210.09 lakhs as against the actual net deficit after ROCE of ₹2,108.58 lakhs revealed in the above table. The VSPL has considered adjustment of 50% of the aggregate deficit i.e. ₹1605.04 lakhs and adjusted it in three equal instalments of ₹535.01 lakhs in the years 2017-18 to 2019-20.

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

It can be seen from the above analysis that the variation in the physical parameter i.e., actual traffic handled is less than 20% i.e. 14.67% negative and financial performance in terms of return on capital employed is negative and the same is more than 20% i.e. 22.8% [(12.35-16)/16]. Since the variation more than +/ (-) 20% is not found in both the physical and financial parameters, there is no case for adjustment of past period deficit of the years 2014-15 to 2016-17 while arriving at the tariff of VSPL for the current tariff cycle following the opinion of the AG on the interpretation of clause 2.13 of the Tariff Guidelines of 2005 which is being followed uniformly.

The adjustment of past period deficit considered by VSPL is not found to be in line with the guideline position and following the opinion of the AG.

(ix). During the last tariff revision, the VSPL had envisaged a capital expenditure of ₹47.48 crores for development of storage yard at Exim Park for additional storage area. The VSPL had confirmed that there will not be much variation between its estimates and the work orders to be issued. In view of the above position, and recognising that the port had also allotted the land to VSPL in January 2014, the proposed investment was considered as estimated by the VSPL. Inclusion of this capital cost for the purpose of return was subject to the condition that if at the time of review of actuals it is found that the proposed investment does not materialise in the year 2016-17, the advantage accrued to VSPL on that account will be assessed and fully adjusted in the next tariff cycle. The VSPL has stated in the current that the capital expenditure proposed for development of land at EXIM Park has not materialised in the year 2016-17. That being so, in the current tariff cycle the VSPL was requested to quantify the additional surplus accrued to VSPL for adjustment in tariff to be determined in this cycle.

The VSPL has stated that the said land at Exim Park area was allotted by VPT to VSPL only on 28 January 2014. The VPT delayed finalization of the lease deed for registration and communicated the finalized lease deed to VSPL only on 8 June 2015 and even after finalizing the lease deed, the registration could be completed only on 12 October 2015. Thus, as per VSPL land allotment was completed only in second half of financial year 2015-16 as per VSPL.

The VSPL has further clarified that Land allotted at EXIM Park is very low lying with poor soil quality and requiring huge development cost than expected cost. It was first proposed to draw the railway line to VSPL land from existing railway lines laid by HPCL to save sizeable Capex by reduced distance of railway track from take-off point. But, same was not consented by HPCL and VSPL was required to construct railway line for long distance from take off point at VPT's siding thereby substantially enhancing the projected capex. In view of the intense competition, customers are not willing to bear the cost of transportation of cargo to EXIM Park. Further, VSPL has stated that based on the report of Boston Consulting Group, VPT has decided to allot additional lands to VGCB and Adani in the vicinity of their terminal. VSPL also requested VPT to allot additional land in its vicinity to save the transportation cost and environmental issues and VPT has accordingly sent proposals to Government with their Board approval for allotment of additional lands to VGCB, Adani and VSPL. In view of these developments, pending fresh allotment, VSPL has surrendered 21 acres of land out of the 30 acres allotted at EXIM Park, with effect from 01.4.2017.

In this back drop and due to the loss posted in the year 2016-17 leading to poor cash flow position no further borrowings that could be raised for any Capex or working capital, the VSPL has stated that the projected Capex on additional land could not be pursued during the last tariff cycle.

In view of the above position, the VSPL has stated that the proposed investment on development of storage yard estimated during last tariff cycle did not materialise for reasons beyond its control and hence has requested this Authority not to view it as accrued benefit and hence not to adjust in the current tariff cycle. It is seen from the cost statement prepared for the past period as brought out in the previous paragraphs that there is net deficit to the tune of ₹2108.58 lakhs for the years 2014-15 to 2016-17 after return at the tariff approved in the last tariff Order. Since there is no surplus, there is no question of adjustment in future tariff on account of the said capex not incurred by VSPL in the last tariff cycle.

(x). As per clause 3.1.8. of the tariff guidelines of 2005, the tariff validity cycle is for a period of three years and hence the analysis of financial/ cost position in respect of VSPL is done for 3 years period i.e. 2017-18 to 2019-20. As already stated earlier, the actual traffic handled by VSPL in the year 2016-17 is 63.27 lakh tonnes. Of the actual traffic of 63.27 lakh tonnes reported in the year 2016-17, traffic of Bulk Material Handling Service (BMHS) is 16.14 lakhs tonnes and conventional cargo traffic is 47.13 lakh tonnes. As against the actual traffic handled in 2016-17, the traffic projected by VSPL for the years 2017-18 to 2019-20 is 62.00 lakh tonnes, 63.24 lakh tonnes and 64.49 lakh tonnes respectively. Of the total traffic estimated, cargo to be handled through BMHS at berth no.EQ-8 is projected at 22.00 lakh tonnes, 22.44 lakh tonnes and 22.89 lakh tonnes for the years 2017-18 to 2019-20 respectively, and the cargo handled by conventional means is projected by VSPL at 40.00 lakh tonnes, 40.80 lakh tonnes and 41.60 lakh tonnes for the corresponding years. The VSPL has confirmed that the traffic projections are based on the actual traffic handled in the year 2016-17. The VSPL has confirmed that the traffic projections capture the impact of additional traffic in view of additions proposed to the gross block of assets in the current tariff cycle.

It is seen that the traffic projected by the VSPL for the year 2017-18 shows a reduction of 2% over the actual traffic handled in the year 2016-17 and for the subsequent years 2018-19 and 2019-20 growth of 2% per annum is projected by VSPL.

The VSPL has stated that the traffic projections are after taking into account the impact on their cargo volume post development of new multi cargo berth projects of VPT viz. EQ-2 to EQ-5 and WQ-7 and WQ-8 under BOT model which are likely to commence operations which will impact their traffic. The VSPL states that they not only face intraport competition but also inter-port competition from Gangavaram, Paradip and Dhamra Ports. Coal is the major bulk cargo in Vizag Port. Gangavaram which is a non-major Port having seven berths is attracting major coal and other bulk cargos by dropping down their rates and assuring free storage period for 120 days. Dhamra Port is a threat for SAIL volume handled by VSPL in Vizag Port. The VSPL has also stated that Paradip Port with considerable enhancement in infrastructure is attracting Coal, Iron ore and Limestone. The VSPL has contended that traffic Projections have been made considering all these competitive scenario and are realistic.

As regards, the PPP projects at VPT referred by the VSPL impacting its traffic, the VPT has clarified that development of multi-purpose berths at EQ-2 to EQ-5, WQ-7 & WQ-8 are not through PPP mode. EQ-2 to EQ-5 berths are already existing and are being reconstructed whereas, WQ-7 and WQ-8 are new berths. The VPT has viewed that impact of these berths on the traffic of VSPL will depend on factors such as cargo handling equipment, tariff amongst other things. The VPT has viewed that since VSPL berths are comparatively old vis-à-vis EQ-2 to EQ-5 and WQ-7 and WQ-8 berths, there may not be significant impact on its traffic on these berths.

When the VPT was requested to express its views on the reasonableness of the traffic projection made by the VSPL, the port has stated that VSPL mainly handles bulk cargoes such as Coal, Coke, Ores, Gypsum, other Dry bulk and Break bulk cargoes. The Port has stated that Government of India has increased domestic production of coal and is discouraging imports; as such, coal cargo handled at these berths is likely to be declined completely. The VPT has categorically stated that the traffic projections made by the VSPL for the years 2017-18 to 2019-20 are reasonable. Based on the above position, the traffic projected by the VSPL for the years 2017-18 to 2019-20 are relied upon and considered in this analysis.

(xi). (a). The cargo related income for the years 2017-18 to 2019-20 has been estimated by the VSPL applying the existing tariff approved by this Authority in May 2015 Order for the traffic projections. The income from the cargo traffic availing BMHS is estimated based on the existing consolidated rate approved by this Authority for BHMS for the traffic projected from BMHS cargo.

For cargo other than BMHS cargo i.e. by conventional means, the VSPL has estimated the cargo handling income at the rates approved by this

Authority. The percentage share of cargo availing different services, viz. stevedoring, HMC services and shore handling is considered at 100%, 90% and 70% respectively reportedly based on the average actual sharing pattern obtained during the last three years for estimation of cargo handling income from the conventional cargo. Citing that weighment services are optional, VSPL has estimated 50% of traffic projections to avail Weighment services. The VPT has not made any adverse remark on the percentage share of cargo volume considered by VSPL for estimation of cargo handling income from difference services. The percentage share of conventional cargo availing the different services considered by the VSPL are relied upon and considered in this analysis.

The VSPL has furnished detailed computation of income from plot rent for the years 2017-18 to 2019-20. For estimating the income from plot rent, the VSPL has assumed that 80% of conventional cargo traffic projection will avail storage facility beyond the prescribed free period out of which, 70% of cargo will avail existing storage facility and 10% of cargo will avail storage at the additional land, which requires longer storage period. As regards BMHS, 100% of cargo projections is estimated to avail storage facility. For coal handled at BMHS and for conventional cargo viz. steam coal, pet coke and gypsum, average storage period after the prescribed free period is considered as two fortnights and for other cargo items, storage for one fortnight is considered for estimating the storage charge. The income from plot rent as estimated by the VSPL is relied upon and considered in this analysis.

It is relevant here to mention that the additional land in EXIM Park was registered in July 2015. The VSPL in its proposal has stated that capex projected during last tariff cycle for development of additional land could not materialise. This has been dealt with elaborately in preceding paragraphs. As stated earlier, the VSPL has on 1 April 2017 handed over 21 acres of land allotted by VPT at Exim Park back to VPT.

Since the VSPL has in its proposal stated that the basic infrastructure facilities like connecting road, rail line link, etc. are yet to be provided by the Licensor, in this circumstances, the VSPL was requested to confirm whether the additional land can be utilized for stacking purpose and the plot rent income estimated by VSPL from the years 2017-18 to 2019-20 is in order. The VSPL has confirmed that the Plot rental income has been estimated for 9 acres of land for EXIM Park for the years 2017-18 to 2019-20 targeting those customers requiring longer storage period and is found to be in order. This position is relied upon.

(b). The VSPL has requested to reduce estimated discount of ₹5.7 crores, ₹5.69 crores and ₹5.69 crores in the years 2017-18 to 2019-20 respectively aggregating to ₹17.08 crores likely (to be) offered to SAIL in view of short term contract entered by VSPL with SAIL from the estimated revenue for the years 2017-18 to 2019-20. In this regard, it is relevant to mention that the tariff has to be determined by this Authority with reference to the cost position reflected based on revenue estimation at the existing Scale of Rates approved by this Authority in the last general revision Order. This approach is followed uniformly while determining the tariff of all the Private Terminal Operators governed under tariff guidelines of 2005. If the request of the VSPL to consider the income net of discount of ₹17.08 crores is accepted, it would warrant higher tariff increase than the increase proposed by VSPL. The differential increase will have to be borne by users other than SAIL, which is not desirable. Further, the rates agreed between VSPL and SAIL as an individual user in an agreement is between the said two parties and that cannot form the basis for tariff determination. Hence, the request of VSPL to reduce the impact of estimated rebate/ discount from the income estimation in the tariff determination process could not be acceded to.

Though the VSPL has requested that the impact of rebate/ discount of ₹17.08 crores estimated by it for the years 2017-18 to 2019-20 should be captured in cost statement, it is seen that the income estimates considered by VSPL in the cost statement is as per the SOR approved by this Authority in tariff Order of May 2015. It does not capture the effect of estimated rebate/ discount.

(c). It is seen that the VSPL has estimated income from new tariff item viz. tarpaulin coverage charges at ₹5 per tonne for the years 2017-18 to 2019-20. Since, this Authority based on the proposal of VPT has vide Order No.TAMP/34/2016-VPT dated 8 February 2017 approved the proposal of VPT for levy of ₹5/ tonne by BOT operators authorized by VPT towards covering of dusty cargo by Tarpaulin, the income estimated by VSPL in this regard is considered for the years 2017-18 to 2019-20.

Thus, the cargo related income is considered at ₹11458.20 lakhs, ₹11687.36 lakhs and ₹11918.65 lakhs for the years 2017-18, 2018-19 and 2019-20 respectively as estimated by VSPL.

(d). The income from the berth hire is estimated to reduce from ₹1729.76 lakhs actually earned in the year 2016-17 to ₹1393.28 lakhs in the year 2017-18 and ₹1421.15 lakhs and ₹1449.17 lakhs for the years 2018-19 and 2019-20 respectively. The reasons for sudden reduction in the income estimation from berth hire charge in the years 2017-18 to 2019-20 vis-à-vis 2016-17 remains unexplained. On probing the matter, the following position emerges.

Apart from confirming that income estimation for the years 2017-18 to 2019-20 are estimated based on the rates prescribed in the existing Scale of Rates, the VSPL has furnished detailed workings for estimation of berth hire income for the years 2017-18 to 2019-20 based on the average GRT, average handling rate reportedly based on the average berth productivity achieved in the years 2014-15 to 2016-17, average parcel size, etc., for each cargo groups which is relied upon.

On perusing the detailed computation for estimation of berth hire charges, it is seen that the average discharge rate for coal at BMHS is considered at 30000 tonnes/ day for the years 2017-18 to 2019-20 by the VSPL as against average discharge rate of 21940 tonnes/ day achieved by VSPL for the last 3 years 2014-15 to 2016-17 and highest average discharge rate of 22720 tonnes/ day achieved by VSPL in the year 2016-17. This could be the reason for reduced estimate of berth hire income.

Since the VSPL has estimated improved productivity of 30,000 T/ day for estimating berth hire income from coal at BMHS, the same is relied upon and considered.

For the other cargo items, the discharge rate considered by VSPL for estimation of berth hire income is found to be comparable to the average discharge rate achieved by VSPL for the last 3 years 2014-15 to 2016-17 and hence considered as estimated by VSPL.

The berth hire income for the years 2017-18 to 2019-20 are updated by applying exchange rate of 1 US$ = ₹64.17 prevailing at the time of analysis of this case as against exchange rate of 1 US$ = ₹64.02 considered by VSPL.

Subject to above modification, the berth hire income for the years 2017-18 to 2019-20 works out to ₹1396.55 lakhs, ₹1424.48 lakhs and ₹1452.56 lakhs respectively as against ₹1393.28 lakhs, ₹1421.15 lakhs and ₹1449.17 lakhs estimated by VSPL for the corresponding period.

(e). Thus, to summarize, the income estimated by the VSPL is relied upon and considered except for modification in the berth hire income as explained above. The total revised income for the years 2017-18 to 2019-20 comes to ₹12714.57 lakhs, ₹12968.86 lakhs and ₹13225.43 lakhs respectively as against ₹12851.48 lakhs, ₹13108.51 lakhs and ₹13367.81 lakhs estimated by the VSPL for the corresponding period.

(xii). 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 annual 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 announced at 2%. Annual escalation applied by the VSPL for most of the cost items like maintenance labour, equipment running cost, repairs and maintenance, etc., is at 2% over the actuals/ estimates of the immediate previous year. In some of the cost items, wherever the escalation works out to be more than 2% over the actuals/ estimates of the immediate previous year necessary modifications are done applying 2% annual escalation is in line with approach followed while tariff fixation for other BOT operators under Tariff Guidelines, 2005.

(xiii). The estimate of operating and direct labour cost is reportedly done on the basis of outsourcing contracts entered by the VSPL. The VSPL has furnished copies of work orders, extension/ rate revision orders issued to contractors from time to time to support its estimates. The VSPL has confirmed that the labour contracts are awarded by competitive bidding and after following arm's length relationship.

The VSPL has applied an escalation factor of 2% in the unit cost for estimating the operating and direct labour cost for each of the years 2017-18 to 2019-20. The contract copy furnished by VSPL reveals that the existing contract for on board labour is ₹4.32 per tonne and the contract is valid upto March 2018. In respect of labour outsourced for BMHS, the existing contract rate is ₹3.70 which is valid till May 2019. There is no provision for escalation clause in the contract copies. The VSPL has, however, considered 2% annual escalation in the contracted rates for each of the years 2017-18 to 2019-20. Since contract copy for on-board labour valid till March 2018 do not provide for any escalation in the rates, no escalation in the unit rate is considered in the year 2017-18 for on board labour. 2% annual escalation is considered in the unit rate for the years 2018-19 and 2019-20 as done by VSPL. In respect of labour contracted for BMHS, no annual escalation is considered for the years 2017-18 and 2018-19 as there is no clause for escalation in contract copy which is valid till May 2019. For the year 2019-20, 2% annual escalation in the unit rates is allowed as considered by VSPL. The estimate is adjusted for the traffic projection by VSPL. The same approach is followed by us.

(xiv). The VSPL has estimated maintenance labour cost for contract labour for the years 2017-18 to 2019-20 applying 2% annual escalation considering the actual maintenance labour cost for the year 2016-17 as the base. Apart from that, for outsourced labour for integrated handling services contract, the VSPL has estimated it at ₹3,96,000 per month. The VSPL has furnished a copy of contract dated 24 May 2016 which is valid for seven years i.e. till May 2023. The VSPL has confirmed that the contract is awarded by competitive bidding and following arm's length relationship. The contract provides for escalation in the unit rate from second year onwards based on the price index relating to increase in minimum wages. The VSPL has applied nil annual escalation for the year 2017-18 and 2%

annual escalation for the years 2018-19 and 2019-20. The estimate as furnished by VSPL is considered for the years 2017-18 to 2019-20.

(xv). The estimate of equipment running cost which includes power, fuel and repairs and maintenance cost are discussed hereunder:

(a). The VSPL has estimated the power cost for the operation of BMHS and power requirement for office and general use. The actual consumption of power during the year 2016-17 is reported at 1.04 unit per tonne for BMHS traffic. Power consumption for the next three years 2018-19 to 2019-20 is estimated based on the actual per tonne power consumption reported for the year 2016-17 and adjusted for the cargo projected to avail BMHS service. The power consumption for office and general use is fixed at 5,47,560 units per annum for each of the years 2018-19 to 2019-20 based on the actual power consumption for the past period. Power consumption assumed by VSPL for the years 2017-18 to 2019-20 based on 2016-17 actuals is relied upon.

As against actual per unit power cost of ₹9.23 in the year 2016-17, the VSPL has considered per unit power cost at ₹9.69 for the year 2017-18. The VSPL has furnished copies of electricity bills of Eastern Power Distribution Company, Visakhapatnam for the months of June 2017 to August 2017. The average electricity cost for the said three months as per copies of the bills furnished by VSPL comes to ₹10.02 per unit. That being so, the unit rate considered by VSPL is modified and considered at ₹10.02 per unit for the year 2017-18 based on the average electricity bill of the three months June 2017 to August 2017 as furnished by VSPL. The VSPL has considered admissible annual escalation of 2% in the unit rate of power for the subsequent two years i.e. 2018-19 and 2019-20. The same is considered on the modified unit rate of power considered for the year 2017-18.

(b). The VSPL has estimated fuel for HMC. The unit cost of fuel for the year 2016-17 is ₹7.14 per tonne. For the year 2017-18, the VSPL has considered the unit rate of the fuel at ₹7.77 per tonne. The details furnished by the VSPL show that based on fuel consumption of 65 litres per hour and unit cost of ₹56.81 per litre and considering output of 475 tonnes/ hour, VSPL has arrived at per tonne fuel cost of ₹7.77 per tonne for the year 2017-18 (i.e. ₹56.81 * 65 litres/ 475 tonnes/ hour). Subsequently, the VSPL has furnished latest fuel bill of December 2017 and has requested to consider fuel cost at ₹63.97/ litre as against of ₹56.81 per litre considered by it in the cost statement. The unit cost of fuel is updated to ₹63.97/ litre based on the copy of the latest bill furnished by VSPL. In view of the above modification, fuel cost comes to ₹8.75 per tonne based on the methodology followed by VSPL, which is considered for the year 2017-18 (i.e. ₹63.77 * 65 litres/ 475 tonnes/ hour).

For the subsequent years 2018-19 and 2019-20, the VSPL has considered the unit rate of fuel at ₹7.93 per tonne and ₹8.09 per tonne by applying 2% annual escalation considering the base unit rate of ₹7.77 per tonne arrived for the year 2017-18. In the modified cost statement prepared by us for the years 2018-19 and 2019-20, 2% annual escalation is considered on modified unit rate of fuel at ₹8.75 per tonne arrived for the year 2017-18. The estimation of fuel cost captures the growth in traffic projections. The VSPL has estimated fuel cost of HMC which is owned by VSPL. For HMCs taken on hire, the VSPL has rightly not considered fuel cost as they are governed by separate outsourcing contract.

(c). The actual repairs and maintenance cost reported for the years 2014-15, 2015-16 and 2016-17 is ₹1148.95 lakhs, ₹1112.87 lakhs and ₹719.58 lakhs. The estimate of repairs and maintenance cost for the years 2017-18 to 2019-20 is at ₹1113.43 lakhs, ₹1145.27 lakhs and ₹1178.01 lakhs respectively.

As regards maintenance cost of own HMC, when the VSPL was requested to furnish copy of contract with Leibherr, the VSPL has stated that in view of exorbitant AMC cost demanded by the OEM, Leibherr as VSPL cranes have clocked more than 30,000 Engine Hours, the AMC with Liebherr was not renewed from 1.4.16. Cranes are now maintained in-house under the supervision of Ex Liebherr Engineer and inventory of spares are maintained purchasing the same from Liebherr. During the financial year 2016-17, the VSPL has not incurred any expenditure on this account as there were no significant break down of the cranes. Till 31.03.2016, under Annual Maintenance contract with Leibherr OEM, VSPL has been paying amount based on fixed engine hours and Leibherr has supplied all the spares as and when required. The VSPL has stated that repair cost shall be subject to type of break down and it may require replacement of engine, gear box, turbo charges, winches or other important and critical spares, which will cost huge amount during the relevant financial year. In view of unforeseen breakdown, value of spares consumed under AMC in the past years has been taken as the basis and the expenditure for 2017-18 to 2019-20 has been estimated by VSPL at the existing level of AMC cost with 2% annual escalation. The VSPL has stated that overall expenditure is spread over for the 3 year period based on tonnage handled. In the absence of any other basis for modifying this estimate, relying on the clarification of the VSPL that the HMC is old and may require replacement of engine, gear box, turbo charges, winches or other important and critical spares, which will cost huge amount, the approach adopted by VSPL of estimating this expenditure based on 2016-17 actuals with 2% annual escalation and adjusted for the tonnage expected to be handled by VSPL owned HMC, the repairs and maintenance cost as estimated by VSPL towards maintenance of its own HMC is allowed. The actuals will be reviewed with the estimates, and, if any, advantage is accrued on account of relying the estimates during the next tariff revision, it will be adjusted in the next tariff cycle as per the guidelines.

Repairs and maintenance for other items for the year 2017-18 is estimated by VSPL based on the average expenditure level of 2014-15 to 2016-17 and by applying escalation factor of 2% per annum. Expenditure projections are done based on actuals of the immediate previous year. The VSPL was, therefore requested to take the 2016-17 actuals and apply allowable escalation factor of 2% for estimating this item for the year 2017-18. The VSPL has, however, not modified its estimation in this regard except applying 2% annual escalation as against 2.46% applied by VSPL earlier in its original proposal. The estimate of repairs and maintenance are modified taking the 2016-17 actuals as the base and applying 2% annual escalation to arrive at the estimates for the year 2017-18. Error observed in the excel working of VSPL as regards maintenance cost for weighbridge is corrected.

The addition to the gross block proposed in the current cycle is towards strengthening of the berth super structure and wharf. The VSPL has not estimated any repairs and maintenance cost on additions proposed to the gross block of assets during the years 2017-18 to 2019-20. Even during the last tariff revision, the VSPL had not estimated any repairs and maintenance cost on additions proposed to the gross block of assets proposed for the years 2014-15 to 2016-17. On the grounds that it does not envisage any repairs and maintenance on the additions proposed as assets would be covered under warranty and no repairs are estimated in the initial period. The position furnished by the VSPL during the last tariff revision Orders 2015 is relied upon for the current tariff cycle also.

(d). The actual maintenance dredging cost reported for the years 2016-17 is ₹13.50 lakhs. The maintenance dredging cost is estimated by VSPL for the years 2017-18 to 2019-20 based on 'per shift' rate applied by the VPT for the year 2016-17 and on the basis of 24 number of shifts per annum dredgers expected to be deployed for maintenance dredging. The unit rate of maintenance dredging cost considered by VSPL is ₹4,23,692/ shift applying 2% annual escalation on the unit rate of ₹4,15,384 per shift for the year 2016-17. The VSPL has furnished a copy each of bill raised by VPT to support the unit rate of dredging of ₹4,15,384 per shift claimed by VPT for the year 2016-17. The VPT has also stated that escalation applied by VSPL on the unit rate of 415384 per shift is reasonable. Hence the unit rate for estimating the maintenance dredging cost is considered as estimated by VSPL.

The number of shifts considered by VSPL for estimating this cost is 24 shifts for each of the years 2017-18 to 2019-20. The VSPL has stated that maintenance dredging is incurred as per the instructions of VPT based on their periodical hydrographic surveys and depends on the siltation of soil. The VPT has stated that VSPL deployed VPT dredger for 12 shifts in 2014-15, nil shifts in 2015-16 and 3 shifts in 2016-17. Hence, the VPT has stated that reasonableness of deployment and maintenance dredging cost estimated by VSPL cannot be certified. The number of shifts considered by VSPL at 24 are found to be double than the highest number of shifts for maintenance dredging reported in the year 2014-15 by the VPT. In the absence of the VPT furnishing the estimate of number of shifts for the years 2017-18 to 2019-20, the number of shifts considered by the VSPL is moderated and considered at 12 for each of the years being the highest number of shifts during the last three years 2014-15 to 2016-17 furnished by VPT.

(xvi). As explained earlier, the revenue share to the extent quoted by the next highest bidder i.e. 12.811% is admissible as pass through as per the provisions of clause 2.8.1 of the tariff guidelines of March 2005. The VSPL has considered admissible revenue share to the extent of next highest bidder at 12.811% on the gross revenue from berth hire and wharfage charges at the proposed rate. Since the cost position is to be estimated based on the revenue at the existing Scale of Rates, to arrive at the tariff to be approved for the current tariff cycle, the revenue share is estimated at 12.811% on the modified berth hire income and revenue from wharfage charges estimated at the existing Scale of Rates.

(xvii). The VSPL has estimated the equipment hire charges for the years 2017-18 to 2019-20 for various equipment taken on hire by it for different cargo handling services and for HMCs taken on hire.

The unit rate considered by the VSPL for various equipment taken on hire for different cargo handling services like on board equipment, shore clearance, inter carting, etc. are substantiated with copy of the work orders/ revised contract rates which are valid from May 2015 to May 2020. The unit rate considered by the VSPL for HMC taken on hire is substantiated with copy of the contract furnished by VSPL dated 17 January 2013 which is valid till January 2020. The VSPL has confirmed that the contract is awarded following competitive bidding. The VSPL has stated that as per the contract, the unit rate for HMC needs to be corrected as ₹52.13 per tonne for the year 2017-18 as against ₹52.10/ tonne considered by the VSPL in its estimates. The VSPL has furnished workings for arriving at the said unit rate after applying escalation in the base rate allowed as per the contract.

Based on the contract copy furnished by the VPSL, the unit rate adopted by VSPL for the year 2017-18 is accepted at the level estimated by the VSPL subject to the modification in the unit rate of HMC at ₹52.13/ tonne for the year 2017-18 as stated by VSPL. The contracts allow for escalation. Hence, annual escalation of 2% per annum considered by the VSPL for estimating this cost item for the years 2018-19 and 2019-20 is allowed.

The VSPL has stated that based on the past trend obtained for the years 2014 to 2017 90% of the total cargo traffic will avail HMC services. Of this 90%, the VSPL has estimated 60% will avail the services of hired HMC and balance 40% will avail the HMC owned by VSPL. This position is relied upon for estimation of hire charges of HMC.

(xviii). (a). The VSPL has estimated lease rental at ₹133.24 lakhs, ₹134.59 lakhs and ₹135.96 lakhs for the years 2017-18 to 2019-20 respectively.

The estimate of lease rental by VSPL comprises of lease rent for original allotment of 121700 sq mtrs of area, for additional land of 9 acres allotted at Exim park and lease rent towards Building/ others.

The VSPL has stated that as per the License Agreement dated 28 November 2001 and long term lease agreement entered on 29 July 2005, the Licensee shall pay to the Licensor, the land lease rentals as per VPT SOR prevailing from time to time. The VSPL has stated that the VPT hitherto levied VSPL, license fee for open cargo storage collected for temporary License of its plots at ₹0.9055/ sqmtr/ week which was part of general revision of Scale of Rates (SOR) of VPT.

It is relevant here to state that the VPT had filed a proposal in September 2014 delinking the licence fee prescribed for cargo stacking in the open area at Sl. No.2 in Section 6 of the then existing Scale of Rates prescribed under cost plus method under general revision of SOR to prescription of licence fee based on the market value of land following the Land Policy Guidelines 2014. This Authority has disposed of the said proposal of VSPL vide Order No.TAMP/48/2014-VPT dated 15 January 2016, wherein the license fee was approved at ₹6.21/ sq.mtr./ week as proposed by VPT for core operational area. The VSPL has now stated that as against the said rate, the VPT has notified 50% discount and is collecting ₹3.11/Sqm/Week.

As against the above said position, the VSPL in the current proposal has estimated the lease rent for 121700 sq.mtrs. of land, applying unit rate of ₹90.55 per week for 100 sq.mtrs. which was the rate prevailing prior to the Order dated 15 January 2016 came into effect. In the general revision of SOR of VPT approved by this Authority in the Order No.TAMP/9/2016-VPT dated 21 June 2016, under Sl. No.2 in Section 6 of the SOR, it is stated that License fee for open space will be as per the Schedule of Rent approved by this Authority separately with effect from the dated of implementation of Order No.TAMP/48/2014-VPT dated 15 January 2016. When VSPL was requested to confirm that unit rate of ₹90.55 per week for 100 sq.mtrs. adopted for estimating lease rental for area of 121,700 sq.mtrs. is in line with the provision of the License Agreement, the VSPL has stated that lease rentals estimates are as per actual lease rent being paid to VPT @ ₹90.55 per week for 100 sq. mtrs. The VSPL has stated that revised lease rentals notified by this Authority vide Order dated 15 January 2016 for cargo stacking in the open area following Land Policy Guidelines is not considered citing that it applies only for 11 months lease plots. The contention of VSPL is that separate tariff shall be fixed for BOT operators who are allotted lands on long term license basis. The VSPL has also stated that no tariff has been fixed by this Authority for long term License of Port lands allotted to BOT Operators.

As regards the point made by VSPL that no tariff has been fixed by this Authority for long term License of Port lands to BOT Operators, it is relevant to state that this Authority has vide Order No.TAMP/48/2014-VPT dated 15 January 2016 approved license fee for core operational area as proposed by the port and lease rent for port land has been approved by this Authority vide Order No.TAMP/80/2015-VPT dated 17 November 2016 based on the proposal of the VPT. Apart from these two proposals which have already been disposed of by this Authority, there is no proposal from VPT for fixation of separate lease rent for BOT operators. Hence, in the absence of any such proposal, the question of this Authority fixing separate lease rent for BOT operator does not arise. Further, reference is drawn to para 17(xvi) of the Order No.TAMP/80/2015-VPT dated 17 November 2016 wherein to a similar point raised by the another BOT operator viz. Visakha Container Terminal Private Limited (VCTPL) who is governed under Tariff Guidelines of 2005 like VSPL, the VPT has stated that there is no separate methodology prescribed in the amended Land Policy Guidelines, 2014 for arriving at the lease rentals separately for BOT operator. The VPT has stated that Major Port Trust cannot adopt any separate methodology/ formula as it is not prescribed so in the amended Land Policy Guidelines, 2014 issued by the MOS. Both the VPT and this Authority are governed by the relevant provisions of Land Policy-2014 issued by the Ministry of Shipping for revision of lease rent. It is relevant to state here that lease rent/ license fee for the VPT land approved by this Authority vide Order dated 15 January 2016 and 17 November 2016 is following the applicable Land Policy Guidelines issued by the Government from time to time and based on the proposal of VPT.

In this regard, VPT has also agreed that hitherto VPT charged license fee for open cargo storage collected for temporary licencing of its plots which formed part of its general revision of SOR. The VPT has categorically stated that license fee approved by this Authority in January 2016 Order for open stacking are not applicable to long term lease. The VPT has stated that this Authority in the Order dated 17 November 2016, vide item No.1-c prescribed a note that Zone 1A industrial rate will be applicable for existing firms which are paying as per SOR, the port had raised revised bills from 1 April 2013. But, the VSPL has returned the bills stating that the revised lease rent are not applicable to them and has requested VPT to revise the bills as per the Scale of Rates as done earlier. The VPT has not furnished any further information in this regard. In this regard, the VPT is advised to note that the referred Note was approved by this Authority as proposed by VPT and it was not a suo motu Order of this Authority.

Thus, from the above, there appears to be dispute between VPT and VSPL as regards unit rate of lease rent for 1,21,700 sq.mtrs. of land. This arises from the provision of License Agreement entered between the VSPL and VPT. This Authority while approving tariff Order No.TAMP/48/2014-VPT dated 15 January 2016 and Order No.TAMP/80/2015-VPT dated 17 November 2016, with reference to similar matter brought out by another BOT operator Visakha Container Terminal Private Limited (VCTPL) governed under Tariff Guidelines of 2005, has held that this Authority fixes lease rent of port land following the Land Policy Guidelines issued by the Government from time to time and this Authority does not like to interfere in the matters of individual lease agreement entered by VPT with individual licensees/ lessees. This Authority, therefore, reiterates the same. The unit rate of ₹90.55 per 100 sq. mtrs./ week considered by VSPL is not found to have been prescribed in the SOR of VPT or in the lease rent schedule of VPT approved by this Authority based on the proposal of the VPT. Consideration of lease rent as per industrial area as sought by VPT from VSPL, which is not accepted by VSPL, will tantamount to granting expenditure higher than the level estimated by VSPL. Since the VSPL has considered the unit rate of ₹90.55 per 100 sq. mtrs./ week in the estimation of lease rent for 1,21,700 sq. mtrs., the same is considered. If at any time during the tariff cycle, the actual unit rate of lease rent paid by VSPL to VPT on this parcel of land is higher than the level considered now, the VSPL is permitted to approach this Authority for revision if it so desires to that extent. This Authority would like to state by way of abundant caution that consideration of ₹90.55 per 100 sq.mtrs./ week in the cost estimates based on proposal of VSPL in the current proceedings, should not be construed that this Authority agrees or disagrees with the respective contentions of the concerned parties in respect of the unit rate for this extent of land.

(b). Clause 3.2. of Appendix 1 of the LA allows licensor to allot additional land for operations at ports Exim Park. Apart from the lease rent for 1,21,700 sq. mtrs. of land, the VSPL has estimated lease rent for additional land of 9 acres at Exim Park area for the years 2017-18 to 2019-20. The VSPL has stated that it has surrendered 21 acres of land out of the 30 acres allotted at EXIM Park, with effect from 01.4.2017 and lease rent for land Exim park is estimated for 9 Acres of land for the years 2017-18 to 2019-20. Lease rent for additional land at EXIM Park, has been estimated by VSPL by applying the lease rent for industrial purpose for Zone V approved by this Authority at ₹14.83/sq/mtr/month from 10 October 2015 as per Order dated 17 November 2016 duly escalated by 2% per annum and arrived at ₹15.42/sq/mtr/month for estimating the lease rent for the year 2017-18. For the subsequent two years 2018-19 and 2019-20, the VSPL has applied 2% annual escalation in the unit rate as per the approved lease rent schedule.

The VPT in this regard has stated that in terms of licence agreement vide Appendix-3 (Licensor Assets), in the event of additional land, if any, asked for by the licensee beyond the licensed premises is allotted, rent shall be payable for that land as per Commercial Rent as shall be fixed by the Port from time to time. In view of the above terms of license agreement, the VPT has contended that the commercial rent of ₹74.03/ sq. mtrs./ month should be applicable for the additional land allotted in EXIM PARK area from the date of handing over i.e. from 29.07.2015. Accordingly, the VPT is claiming lease rentals for the said extent of land as per commercial rate of 74.03/sq/mtr/ month as on 10 October 2015 as approved by this Authority vide Order dated December 2016 with applicable annual escalation @ 2% per annum.

The VSPL has, however, contented that the additional land allotted at EXIM Park can be used for handling and storage of cargo and hence industrial rate should be applied instead of commercial rent sought by VPT.

Thus, on this extent of land as well, there appears to be dispute between VSPL and VPT flowing from the provisions License Agreement and Lease Agreement entered between VSPL and VPT. In this regard, as stated earlier, this Authority would like to state that License Agreement/ Lease Agreement are entered by the concerned port trust with the BOT operator/ individual lessee/ licensee. This Authority, therefore, does not like to interfere in the matter of individual License Agreement/ Lease Agreements entered by the concerned Port Trust with the BOT operator/ individual lessees. The lease rent as estimated by VSPL is considered for the current tariff cycle. This should not by any way be construed that this

Authority agrees or disagrees with the respective contentions of the concerned parties in respect of the unit rate for the additional land allotted to VSPL.

If at any time during the tariff cycle, the actual unit rate of lease rent paid by VSPL to VPT on this parcel of land is higher than the lease rent considered in the estimates, the VSPL is allowed to approach this Authority for revision, if it so desires, to that extent.

For building, the lease rent at ₹7.56 lakhs per annum for each of the years 2017-18 to 2019-20 is considered as estimated by VSPL.

(xix). The insurance cost for the year 2016-17 is reported at ₹68.14 lakhs. The insurance premium for the year 2017-18 is estimated at ₹70.32 lakhs which is substantiated with copies of insurance policies. The insurance premium for the next two years viz. 2018-19 and 2019-20 is estimated at ₹71.72 lakhs and ₹73.16 lakhs respectively applying 2% annual escalation. During the last tariff revision also, the VSPL had followed the same approach and clarified that the increase estimated in this item is to cover the insurance on additions proposed to the gross block of assets. To a specific query with regard to consideration of replacement cost of terminal for the year 2016-17 instead of depreciated cost for estimating insurance, the VSPL has clarified that insurance has been made at Replacement cost as per provisions of License Agreement and to avoid loss of claim due to under insurance while making claim. The insurance cost estimated is found to be less than 0.50% of the gross block of assets allowed in tariff fixation of other private terminals cases. Therefore, the insurance cost estimated by VSPL is considered without any modification.

(xx). Other expenses include water charges, water supply charges, survey charges, stevedoring charges, security expenses, railway staff charges, Customs manning charges, Charges for wagons damage, etc. Survey charges and Stevedoring charges are estimated to vary with the traffic projections and other items under this head are not projected to vary with traffic.

The actual cost towards railway staff is reported to be 81.71 lakhs in the years 2016-17. As against that, the VSPL has estimated it at ₹600000 per month for 12 months i.e. ₹72 lakhs per annum for the year 2017-18 and escalated by 2% per annum for the years 2018-19 and 2019-20. The estimate as furnished by VSPL may be relied upon. The VSPL has not estimated any cost towards railway siding charges as it has proposed to delete the existing tariff towards railway siding, administration and maintenance charges.

The actual cost towards water charges and water supply is reported to be ₹74.42 lakhs in the years 2016-17. As against that, the VSPL has estimated it at ₹54.08 lakhs for the year 2017-18 and escalated by 2% per annum for the years 2018-19 and 2019-20. The estimate towards stevedoring charges for the year 2017-18 is also found to be lower than the actuals reported for the year 2016-17 and for the subsequent years 2018-19 and 2019-20 it has been escalated by 2% per annum over the estimate of 2017-18. The reason for reduction in this cost item remains unexplained. The estimate as furnished by VSPL for the years 2017-18 to 2019-20 may be relied upon. As regards survey charges, the estimate of VSPL for the year 2017-18 is found to be marginally lower than 2016-17 actuals. For the subsequent two years 2018-19 and 2019-20, this item has been estimated applying 2% annual escalation over the estimate of 2017-18 which is accepted.

For estimating direct cost of labour for wagon loading for the years 2017-18 the VSPL has taken average of the actual expenditure of last three years i.e. 2014-15 to 2016-17 as the base and escalated it by 2%. For the subsequent years 2018-19 and 2019-20, the VSPL has estimated the expenditure applying annual escalation of 2% over the estimates of respective previous year. Normally as stated earlier, the actual expenditure of the previous year is taken as the base for future estimates of next three years subject to applicable annual escalation. The estimates of the year 2017-18 taking the base the actual expenditure of the year 2016-17 as the base and applying 2% escalation, works out to be higher than estimates of VSPL. That being so, the estimates of direct cost of labour for wagon loading is considered as estimated by VSPL.

As regards one another cost item under other expenses i.e. customs manning charges, the VSPL has estimated ₹90.18 lakhs in the year 2017-18. It is relevant to state that this expense is reported to be nil in the years 2014-15 to 2016-17 as per the break up of expenses furnished by the VSPL. From the submissions made by VSPL, it appears that these charges are under litigation for the period 2014-15 to 2016-17. However, the VSPL has estimated customs manning charges for the year 2017-18 at ₹90.17 lakhs. For the next two years, this item is escalated by 2% per annum. The VSPL has furnished a copy of Customs Demand Note dated 22 June 2017 to VSPL as per which the Cost recovery Charges payable by VSPL for the period April 2017 to September 2017 is ₹47.13 lakhs. If prorated for full year it comes to ₹94.26 lakhs. The VSPL has considered 90.18 lakhs for the year 2017-18 which may be considered. For the subsequent two years 2018-19 and 2019-20, the VSPL has considered 2% annual escalation over the prorated figure of ₹94.26 lakhs based on the demand note of Customs furnished by VSPL. Relying on the documentary evidence furnished by VSPL, this Authority considers this item of expense as estimated by VSPL. If, at the time of next tariff revision while reviewing the estimates with the actuals, it is observed that the estimate allowed under this item is not incurred by VSPL, the expense allowed in the current exercise shall be adjusted i.e. nullified in the next tariff revision.

(xxi). The VSPL has estimated Management & Administrative Overheads (MGO) for the year 2017-18 at ₹1073.94 lakhs. It is seen from the detailed working that the VSPL has applied 2% annual escalation over the actuals reported for the year 2016-17 for all the items under this head. However, an error is observed in the linkage for one of the item viz. office maintenance cost. This is corrected. The modified MGO for the year 2017-18 comes to ₹1078.63 lakhs as against ₹1073.94 lakhs estimated by VSPL. For the subsequent two years, the annual escalation considered by the VSPL is 2% annual which is considered on the modified MGO.

(xxii). The treatment given to technical service fee paid by VSPL to M/s.Portia Management Services (PMS) has been explained while analysing the performance in the previous tariff cycle. The annual amortization amount as considered for the past actuals is maintained in the estimates for future period as well.

(xxiii). Clause 2.7.1 of the tariff guidelines of 2005 stipulates that incase of private terminals, depreciation has to be allowed on straight line method with life norms adopted as per the Companies Act, 1956 or based on the life norms prescribed in the Concession Agreement whichever is higher. The VSPL has confirmed that depreciation computed by it is in line with clause 2.7.1 of the tariff guidelines of 2005. It has further stated that there is a change in classification of assets as per IND AS to be followed by VSPL as per Companies Act, 2013 from financial year 2016-17. The Project berths and Plant and Equipment have been classified as Intangible Assets for amoritizaton over the License period in the audited financials for 2016-17. As stated earlier, the VSPL has stated that the depreciation considered in cost statements is based on useful life of assets (Plant and Machinery) whereas depreciation as per financials are based on balance license period.

As regards upfront fee, the VSPL has made suitable adjustments in the depreciation figures in view of amortisation of the upfront fee over the project period in line with the approach followed in the earlier general revisions Orders passed by this Authority. As stated earlier, in the current revision, the VSPL has reiterated to allow the capex of ₹16.08 crores incurred towards deepening of channel/ berth and capitalized in the year 2009-10 by the VSPL citing that supplementary License Agreement dated 20 June 2015 has been entered between VSPL and VPT to the main Licence Agreement and hence has requested this Authority to re-consider this item. For the reasons explained in the past period analysis, the depreciation for this item is not considered in the current tariff cycle. The return on the net fixed asset on this capex is also excluded for the years 2017-18 to 2019-20.

As stated earlier, depreciation on liquidated damage cost is considered in the estimate of depreciation for the years 2017-18 to 2019-20. Further, unamortised part is considered as part of the net fixed asset for return in line with the approach followed for the past period.

(xxiv). The amortization of upfront fee and preliminary expense is considered at ₹33.10 lakhs for each of the years 2017-18 to 2019-20 as has been done for the past period. Though VSPL has excluded the net block of upfront fee and preliminary expense from the capital employed for computation of return, for the purpose of our analysis, the upfront fee and preliminary expenses to the extent not written off is taken as part of the capital employed for allowing return.

(xxv). The capital employed estimated by VSPL is ₹19527.28 lakhs, ₹17973.19 lakhs and ₹16443.98 lakhs during the years 2017-18 to 2019-20. The Capital Employed comprising of Net Fixed Assets and Working Capital are analysed in the following paragraphs:

(a). The VSPL has estimated additions to the gross block to the tune of ₹498.40 lakhs in the year 2017-18 towards strengthening of berth super structure and wharf. No other additions to the gross block is estimated by VSPL in the years 2018-19 to 2019-20 in the revised proposal. The VSPL has justified that the capex towards berth strengthening is to enable deepening of berth fronts to -16.10 Meters. The VSPL has confirmed that it has already spent ₹4.28 crore towards strengthening of EQ 9 berth and the balance work in progress. The VPT has confirmed that proposed additions to the gross block is reasonable. In view of the above position, the investment proposed by the VSPL is considered. The VSPL has confirmed that capex towards berth strengthening is to enable deepening of berth fronts to -16.10 Meters. Hence, there will not be change in assessed capacity.

(b). The working capital is analysed below:

(i). The VSPL has considered two month's estimated operating income as Sundry Debtors for the years 2017-18 to 2019-20. This is not in line with the provisions contained in the tariff guidelines of 2005, as such Sundry Debtors is considered as NIL.

(ii). As per the Order passed by this Authority on 30 September 2008 refining 2005 guidelines, prepayments of certain expenses which flow from the provisions of the Licence Agreement can be considered as Sundry Debtors. As analysed in the past period analysis, in the case of the VSPL, it is found that none of the items flowing from the License Agreement qualify for consideration as sundry debtors.

(iii). The VSPL has considered annual consumption of stores excluding fuels for the years 2017-18 to 2019-20 and has considered 50% i.e. six months actual spares consumption considered for the year 2016-17 excluding fuel. The computation of inventory in the computation of current asset is in line with the provisions prescribed in the tariff guidelines. The figures furnished by the VSPL are considered without any modification.

(iv). Cash balance has been calculated at one month's cash operating expenses including overheads as done during the last tariff revision of VSPL.

(v). The VSPL has considered current liabilities for the years 2017-18 to 2019-20 as per the Annual Accounts for the years 2016-17 subject to exclusion of current maturity of long term debt. The current liability for the years 2017-18 to 2019-20 is considered at the level considered for the past period analysis for the year 2016-17 in line with the approach followed by the VSPL which is in line with the approach followed during the last tariff revision of VSPL.

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

(c). The unamortized portion of preliminary expense and upfront fee and unamortized liquidated damages forms part of the capital employed and on which return is allowed as stated earlier.

(d). Subject to above modification, the Capital Employed for the years 2017-18 to 2019-20 which consists of only the Net Block of assets is at ₹18378.08 lakhs, ₹16758.63 lakhs and ₹15163.38 lakhs respectively as against ₹19527.27 lakhs, ₹17973.19 lakhs and ₹16443.99 lakhs considered by the VSPL.

(xxvi). The existing capacity of the terminal is reported at 7.7 MTPA. The VSPL has assessed the capacity of the two berths to continue at 7.7 MTPA for all the three years. The VPT has stated that the capacity assessed during the previous revision of SOR of VSPL was 7.70 MTPA as on 31 March 2017 by VSPL. The VPT has also stated that no significant investment towards capacity enhancement is proposed by the operator in the current tariff cycle. The capacity is, therefore, considered at 7.7 MTPA as considered by VSPL. Based on the optimal capacity as furnished by the VSPL, the capacity utilisation for the throughput projected works out to be 81%, 82% and 84% for the years 2017-18 to 2019-20 respectively. Since the capacity utilisation is more than 60%, full return of 16% on the estimated capital employed for all the three years is considered in accordance with the provisions of the tariff guidelines of March 2005.

(xxvii). The License Agreement stipulates that on expiry of the license period, the VSPL shall be liable to transfer the entire facility and services to the VPT on payment of ₹40 millions per berth of the estimated project cost which means ₹80 millions for two berths. The VSPL has considered the credit back of annualised terminal value receivable at the end of the project at ₹4.32 lakhs per annum which is modified in line with the approach followed in the last tariff Order. The terminal value receivable at the end of the project is annualized over the project life applying discounting rate of 12% in line with the approach followed in the last tariff revision exercise and in the cases of other private terminals.

(xxviii). The VSPL has furnished cost statements for two activities viz. cargo related and vessel related. The basis of allocation of expenses between these two activities is found to be in line with the approach followed in the last tariff revision which was accepted by this Authority. Hence, the said allocation is considered in the current exercise also.

As regards sub-activity cost statements under cargo handling activity, the VSPL has furnished cost statements for sub-activities BMHS handling and conventional cargo handling under the cargo handling activity as is found to be in line with the approach followed in the last tariff revision which was accepted by this Authority.

The VSPL has confirmed that basis of allocation of the expenses and capital employed between the two sub activities is in line with last tariff revision Order dated May 2015. The basis of allocation of the expenses and the capital employed done by the VSPL to the above mentioned two sub-activities are relied upon. In the cost statement prepared by us, the modified expenses and capital employed are allocated between the two sub activities maintaining the ratio followed by the VSPL. Revenue from Railway siding administration and maintenance charges has been considered in the Projected Revenue at Proposed Rates. The VSPL has stated that the said tariff could not be collected from any user and hence is proposed to be withdrawn. The VSPL has, therefore, proposed to delete the existing tariff from the proposed SOR. It is, however, seen that the VSPL in the cost statement has estimated income from railway siding and maintenance charges at ₹160 lakhs, ₹163 lakhs and ₹166 lakhs for the years 2017-18 to 2019-20 at the existing rate of ₹3.20 per tonne. On the expenditure side, the VSPL has not considered the expenditure towards railway siding. That being so, the income estimated by VSPL from cargo handling services is moderated to the extent of income from railway siding administration and maintenance charges considered by VSPL.

(xxix). The consolidated cost statement and main activity-wise cost statements and sub-activity wise cost statement for the years 2017-18 to 2019-20 at the existing tariff i.e. as per the rates approved by this Authority in the May 2015 Order have been modified in line with the above analysis. The modified cost statements are attached as **Annex - II (a) to (e)**. The summarised position of the results disclosed in the financial / cost statements at the existing level of tariff i.e. as per the rates approved by this Authority in the May 2015 Order are tabulated below:

(**₹ in lakhs**)

Sl. No.	**Particulars**	**Operating Income (₹ in lakhs)**				**Net Surplus (+) / Deficit (-) (₹ in lakhs)**				**Net Surplus (+) / Deficit (-) as a % of Operating Income**			
		2017-18	**2018-19**	**2019-20**	**Total**	**2017-18**	**2018-19**	**2019-20**	**Total**	**2017-18**	**2018-19**	**2019-20**	**Average**
1.	VSPL as a whole	**12854.75**	**13111.84**	**13371.21**	**39337.79**	**-575.92**	**-363.48**	**-134.58**	**-1073.99**	**-4.48%**	**-2.77%**	**-1.01%**	**-2.73%**
2.	Vessel related	1396.55	1424.48	1452.56	4273.59	-232.40	-138.02	-47.42	-417.84	-16.64%	-9.69%	-3.26%	-9.78%
3.	Cargo related	11458.20	11687.36	11918.65	35064.21	-343.53	-225.46	-87.16	-656.15	-3.00%	-1.93%	-0.73%	-1.87%
	(a) BMHS	3300.00	3366.00	3433.50	10099.50	-1047.00	-944.36	-830.33	-2821.69	-31.73%	-28.06%	-24.18%	-27.94%
	(b) Conventional handling of cargo	8158.20	8321.36	8485.15	24964.71	703.57	718.99	743.17	2165.54	8.62%	8.64%	8.76%	8.67%

The above table reflects an average deficit of 2.73% for the period 2017-18 to 2019-20 at the rates approved by this Authority in May 2015 Order.

The cargo handling activity reflects an average deficit of 1.87% for the years 2017-18 to 2019-20 and the vessel related activity reflects an average deficit of 9.78% for the period 2017-18 to 2019-20. This Authority while granting extension of the validity of the Scale of Rates of VSPL has held that if there is surplus over and above the admissible cost and permissible return for the period post 1 April 2017 it will be setoff fully in the tariff to be determined. It can be seen from the summarised position that, 2017-18 reflects an overall deficit of ₹575.92 lakhs and hence the question of adjustment of surplus during the period of extension of the SOR does not arise.

In view of the deficit position reflected in the cost statement there is a case for granting increase in the tariff. The increase/ decrease proposed in various items by the VSPL is discussed below:

(a). Berth hire charge:

The VSPL in the original proposal had maintained status quo in the berth hire charges. In the revised proposal, the VSPL has proposed 25% increase in the berth hire charge i.e. from USD 0.0072 to USD 0.0090 in view of the average deficit of 30% reflected in the cost statement prepared by VSPL for the vessel related activity i.e. towards berth hires services.

It is seen that from the table above that the vessel related activity reflects an average deficit of 9.78% for the years 2017-18 to 2019-20 and in absolute terms the aggregate deficit for the said period comes to ₹418.07 lakhs. By the time the Order comes into effect, it may be around March 2018. That being so, if the total deficit of ₹418.07 lakhs is spread over the estimated revenue from berth hire charges for 1 month i.e. March 2018 in the year 2017-18 and 2018-19 and 2019-20, the tariff increase required comes to 13.96%. As against that, the VSPL has proposed 25% increase in the berth hire charge. However, since even after considering the estimated additional revenue from tariff increase / decrease and deletion of one tariff item sought by VSPL in cargo handling activity as brought out in the analysis there remains a marginal deficit of ₹ 32.85 lakhs for the terminal as a whole, this Authority decides to grant 15% tariff increase in the berth hire charges so that the entire deficit reflected in the cost statement is getting covered after considering the impact of additional income from tariff increase/ decrease proposed in cargo handling activity as well.

As regards, coastal vessel the increase proposed by VSPL works out to 84.5% as against 25% increase proposed in the foreign going vessel. This appears to be on account of VSPL applying the prevailing exchange rate of 1US$ = ₹64.18 on the rate proposed for foreign going vessel and applying 60% concession thereon for arriving at the proposed rate. The prevailing coastal concession policy issued by the Ministry of Shipping, do not permit restatement of coastal vessel rates with reference to exchange rate at the time of each general revision of Scale of Rate. Clause 6.1.2. of the 2005 tariff guidelines do not permit restatement of coastal vessel rates with reference to exchange rate at the time of each general revision of Scale of Rates. That being so, the rate for coastal vessel is prescribed applying 15% increase over the existing rate. As against 25% increase proposed by VSPL in the minimum berth hire charges for both foreign and coastal vessel, 15% increase in the minimum berth hire charges is approved as considered for berth hire charges.

At 15% increase granted in the berth hire, the additional revenue likely to be earned for the said period i.e. March 2018 till 31 March 2020 will be ₹450.73 lakhs.

(b). Cargo Handling Activity:

The cargo handling activity reflects an average deficit of 1.87% for the years 2017-18 to 2019-20. In absolute terms, the aggregate of deficit for the three years is ₹655.91 lakhs. If the said deficit is spread over for the year 2017-18 for 1 month i.e. March 2018 and 2018-19 and 2019-2000, the average deficit will be 2.67%. No increase is proposed by VSPL except in wharfage rate for a few cargo items, shore handling charges and dust suppression charges.

As regards Bulk Material Handling Services (BMHS), the existing rate for BMHS covering rates for seven components viz. HMC, mobile hopper, conveyor and stackers, reclaiming and wagon loading, in motion electronic Weighment, sampling system and other service at ₹159.50 per MT. The VSPL has proposed to maintain status quo in ₹159.50 per tonne. The existing SOR also provides a consolidated rate of ₹150 per tonne if all the integrated terminal services of BMHS are availed which is proposed to be reduced to ₹140 per tonne. It is relevant to state here that the cost statement for the BMHS activity shows average deficit of 27.94% for the years 2017-18 to 2019-20 and in absolute terms the aggregate deficit is ₹2821.69 lakhs for the said period. So, in normal circumstances tariff should have been increased in this tariff item. But, since the VSPL has sought reduction in the consolidated rate for BMHS, if all services are availed in order to compete with market and ensure higher utilization of BMHS, the proposed reduction in the consolidated rate is approved.

Apart from the above, the VSPL has proposed a new tariff item viz., Tarpaulin coverage charges at ₹5 PMT for entire BMHS quantity and 60% of quantity (excluding BMHS Qty.), where shore handling services will be availed by customers. The VSPL has clarified that ₹5 PMT is estimated towards tarpaulin coverage charges as per the VPT circular. There has been no adverse remarks from any users/ user association on the proposed new tariff items. This Authority had based on the proposal of the VPT approved levy of ₹5 per tonne by Stevedores/ Handling Agents and BOT operators authorised by the VPT for undertaking the service of covering all dusty import and export cargo within the vicinity of the port with Tarpaulins in the Order No.TAMP/34/2016-VPT dated 3 February 2017. The VSPL now proposes to prescribe this tariff item in its SOR. The proposed tariff item is, therefore, approved.

As stated earlier, the existing SOR approved by this Authority vide Order dated 15 May 2015 at schedule no.4.6 prescribe charges for railway siding administration and maintenance at ₹3.20 / tonne. The VSPL has proposed to delete the said item in proposed SOR citing that the said tariff could not be collected from any user and hence is proposed to be withdrawn. The VSPL has, therefore, proposed to delete the existing tariff from the proposed SOR. There has been no adverse remarks from any users/ user association on the proposed deletion. The proposed deletion of said tariff item is, therefore, approved.

The VSPL has not sought uniform increase across the board. The tariff increase sought by VSPL varies for various cargo handling services. To summarise, the tariff increase/ decrease proposed by VSPL in the cargo handling activity is as given below:

(i). Increase proposed in Wharfage rates in respect of following commodities:

Name of Cargo	**Current Rate (₹ per tonne)**	**Proposed Rate (₹ per tonne)**	**% increase**
Coal	37.00	39.00	5%
Alumina (bulk)	40.35	45.00	12%
Aluminium, Alumina Sow Ingots, Alumina Billetts and Alumina products	24.70	33.00	33%
Blast furnace slag, Bentonite, Dolomite chips, Fly Ash and River sand	14.60	19.50	34%
Calcined petroleum coke	40.35	45.00	12%
Charge chrome, Ferro Manganese, Ferro Silicon Silicon Manganese, High carbon Ferrochrome, and other ores	42.60	57.00	34%
Fertilizers	32.50	41.25	27%
Granite Blocks & Marbles	49.30	55.50	13%
Limestone	33.65	36.00	7%

(ii). Increase proposed in shore handling charges from existing ₹45/ tonne to ₹65/ tonne.

(iii). Increase proposed in Dust suppression charges from ₹1.50/ tonne to ₹2/ tonne.

(iv). Insertion of Tarpaulin charge at ₹5/ tonne in its SOR.

(v). Existing tariff viz. Siding and Maintenance charge of ₹3.20/ tonne is proposed to be withdrawn.

(vi). For all the other tariff items, the VSPL has proposed to continue with the existing Scale of Rates item which may be allowed as proposed by the VSPL.

(c). The additional income estimated to be earned by VSPL at the increase/ decrease approved by this Authority in the above mentioned tariff items as proposed by the VSPL for the period of 2017-18 from March 2018, 2018-19 and 2019-20 is given below:

(₹ in lakhs)

Particulars	**Increase/ decrease proposed by VSPL and (to be) approved by the Authority**	**Additional income ₹ in lakhs**
Shore handling charges	Increase from ₹45.00 per tonne to ₹65.00 (44% increase)	₹1188.26
BMHS	Reduction in BMHS rate if integrated services are availed from ₹150.00 to ₹140.00 per tonne (7% decrease)	-₹495.22
Railway siding charges	Deleted	-₹342.97
Dust suppression system	Increase from ₹1.50 per tonne to ₹2.00 per tonne (33% increase)	₹65.78
Wharfage	Increase proposed for few cargo items as given above	₹207.39
Total additional income from cargo handling activity for the above items (A)		**₹623.26**
Berth hire charges	Increase from 0.0072 US$ to 0.0083 US$ (15% increase) (B)	**₹450.73**
Total (A+B)		**₹1073.99**

Thus, from the above table, it can be seen that as against total deficit of ₹1073.99 lakhs for the three years period 2017-18 to 2019-20, the additional income from the above tariff items will be ₹1073.99 lakhs of which ₹623.26 lakhs is from increase/ decrease proposed in cargo handling services including deletion of one existing tariff item and ₹450.73 lakhs is from increase in the berthing services.

(xxx). The notes proposed under General at 13 and 14 relating to classification of vessel for levy for Vessel Related Charges (VRC) and Criteria for levy of Vessel Related Charges and Concessional Coastal rate are not found to be in line with the common adoption Order No.TAMP/53/2015-VOCPT dated 26 November 2015 and amendment Order dated 10 June 2016. The said notes are modified in line with the said common adoptions Orders.

(xxxi). This Authority has in pursuance of MOS letter No.PD/14033/101/2015-PD.V dated 3 February 2016 passed a common Order No.TAMP/14/2016-Misc dated 9 February 2016 prescribing a note that in order to decongest the ports and encourage exporters/ importers to utilize the port services beyond regular hours, lower charges will be levied for cargo and vessels related services as well as special discount will be offered in port charges for the services rendered after regular hours. All the Major Port Trusts and BOT operators governed under the Tariff guidelines of 2005 have been directed in the said Order to amend their SOR accordingly. When pointed this to VSPL as proposed SOR did not incorporate this note, VSPL has stated that operations at its terminal are carried out 24X7 basis and there is no concept of regular hours. The VSPL has stated that this conditionality is not prescribed by this Authority in the SOR of VCTPL recently revised by this Authority. The point made by VSPL as regards VCTPL is examined separately. Since the said note is in pursuance of MOS letter dated 3 February 2016, the same in incorporated in the SOR of VSPL.

(xxxii). Clause 4.2.2. of the tariff guidelines of 2005 calls for phasing out of ad-valorem rates over a maximum period of five years. However, the VSPL has proposed wharfage rates on ad-valorem basis for electrical goods and machinery. The VSPL is to propose unit rates for electrical goods and machinery on the basis of cost of handling and special care, if any, required to be taken while handling the said cargo. In response, the VSPL has stated that these two goods are rarest items and not handled generally. Hence cost of handling and other factors to be considered will have to be gained by experience in due course. The VSPL has requested for continuation of ad-valorem rate for the present. There has been no adverse remarks from any users/ user association on the proposed wharfage rates on ad-valorem basis for electrical goods and machinery. The proposed wharfage rates on ad-valorem basis for electrical goods and machinery is, therefore, approved.

(xxxiii). The tariff guidelines of 2005 applicable for the BOT operators prescribe tariff validity cycle of three years. Since the financial position considered for the purpose of this analysis is only till 31 March 2020, the validity of the revised Scale of Rates of the VSPL is prescribed till on 31 March 2020.

(xxxiv). The validity of the existing SOR of the VSPL has been extended and the validity of extension of the existing SOR of VSPL is granted till 30 June 2017 or the date the revised SOR comes into effect, whichever is earlier. The revised Scale of Rates approved will come into effect after expiry of 30 days from the date of notification of the Order in the Gazette of India. The existing SOR of VSPL is deemed to have been extended till the revised SOR comes into effect.

(xxxv). **As per Clause 3.3.1. of the 2005 guidelines VSPL has the option to approach this Authority for review of the order to the extent of errors apparent on the face of record within 30 days from the date of notification of the Order in the Gazette.**

If any error apparent on the face of record or for any other justifiable reasons, the VSPL may approach this Authority for review giving adequate justification / reasoning within 30 days of notification of the Order in the Gazette.

17.1. In the result, and for the reasons given above, and based on a collective application of mind, this Authority approves the revised Scale of Rates of the VSPL which is attached as **Annex - III**.

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

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

(T.S. Balasubramanian)
Member (Finance)

Annex - I

VIZAG SEAPORT PRIVATE LIMITED

(Rs. in Lakhs)

Consolidated Income & Cost statement for the Terminal as a whole comparing actuals and estimates

Sr. No.	Particulars	Estimates as considered by TAMP in Order dated 15 May 2015			Total	Actual			Total	% Variation
		2014-15	2015-16	2016-17		2014-15	2015-16	2016-17		
	Traffic (in lakh tonnes)	5350000	6425000	7023250	18798250	5188617	4525387	6326717	16040721	-14.67%
	Capacity	7700000	7700000	7700000	23100000	7700000	7700000	7700000	23100000	
I	**Total Operating Income**									
	(i) Vessel related income	307.60	1116.91	1528.66	2953.16	464.30	1104.32	1729.76	3298.39	11.69%
	(ii) Cargo related income	8454.55	10963.22	12504.30	31922.07	11010.88	9459.31	11636.71	32106.90	0.58%
	Total - I	**8762.15**	**12080.13**	**14032.96**	**34875.23**	**11475.19**	**10563.63**	**13366.47**	**35405.29**	**1.52%**
II	**Operating Costs (excluding depreciation)**									
	(i) Operating & Direct labour	233.48	301.85	352.93	888.26	228.18	335.35	410.23	973.75	
	(ii) Maintenance labour	453.95	481.19	510.06	1445.21	467.02	473.86	524.99	1465.87	
	(iii) Equipment Running costs	1404.21	1600.95	1762.99	4768.15	1736.69	1558.56	1206.92	4502.16	
	(iv) Maintenance dredging	43.83	46.46	49.25	139.53	53.98	0.00	13.50	67.48	
	(v) Royalty / revenue share	278.06	333.02	365.25	976.33	293.60	351.71	519.57	1164.88	
	(vi) Equipment hire	2461.26	3046.56	3502.30	9010.13	3060.30	3558.14	3899.82	10518.27	
	(vii) Lease Rentals payable as per concession agreement	197.97	200.61	203.31	601.89	72.71	73.40	342.06	488.16	
	(viii) Insurance	47.46	50.31	53.33	151.10	55.25	63.89	68.14	187.27	
	(ix) Other expenses	420.33	463.40	502.65	1386.39	616.98	475.06	519.66	1611.70	
	(x) Technical service fee	12.16	12.16	12.16	36.48	12.16	12.16	12.16	36.48	
	Total - II	**5552.72**	**6536.52**	**7314.23**	**19403.47**	**6596.85**	**6902.14**	**7517.04**	**21016.02**	**8.31%**
III	Depreciation	1261.42	1386.57	1612.49	4260.48	1368.21	1411.78	1467.77	4247.75	-0.30%
IV	Overheads									
	(i) Management & Administration overheads	878.22	930.91	986.77	2795.90	920.08	922.91	1079.73	2922.72	
	(ii) Preliminary expenses & upfront payment write-off	33.10	33.10	33.10	99.31	33.10	33.10	33.10	99.31	
	Total - IV	**911.32**	**964.02**	**1019.87**	**2895.21**	**953.18**	**956.02**	**1112.83**	**3022.03**	**4.38%**
V	**Operating Surplus / (Deficit) (I) – (II) – (III) - (IV)**	**1036.68**	**3193.02**	**4086.36**	**8316.07**	**2556.95**	**1293.69**	**3268.83**	**7119.48**	**-14.39%**
VI	Finance & Miscellaneous Income (FMI)									
	(i) Discounted terminal value receivable as per the LA	4.32	4.83	5.41	14.56	4.32	4.83	5.41	14.56	
	(ii) Others	0.00	0.00	0.00	0.00				0.00	
	Total FMI	4.32	4.83	5.41	14.56	4.32	4.83	5.41	14.56	
VII	Finance & Miscellaneous Expenses (FME)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
VIII	FMI Less FME (VI) - (VII)	4.32	4.83	5.41	14.56	4.32	4.83	5.41	14.56	0.00%
IX	**Surplus Before Interest and Tax (V) + (VIII)**	**1,041.00**	**3,197.86**	**4,091.78**	**8,330.63**	**2,561.27**	**1,298.52**	**3,274.24**	**7,134.04**	**-14.36%**
X	Capital Employed	19621.95	21403.85	24554.60	21860.13	19543.77	19801.05	18421.57	19255.46	-11.92%
XI	RoCE - Maximum permissible	3,139.51	3,424.62	3,928.74	10,492.86	3,127.00	3,168.17	2,947.45	9,242.62	
XII	Capacity Utilization	69%	83%	91%		67%	59%	82%		
XIII	**RoCE**	**3,139.51**	**3,424.62**	**3,928.74**	**10,492.86**	**3,127.00**	**3,168.17**	**2,947.45**	**9,242.62**	**-11.92%**
XIV	**Net Surplus / (Deficit) (IX) - (XIII)**	**(2,098.52)**	**(226.76)**	**163.04**	**(2,162.23)**	**(565.73)**	**(1,869.65)**	**326.79**	**(2,108.58)**	**-2.48%**
XV	**Net Surplus / (Deficit) as a % of operating income (XIV/I)**	-23.95%	-1.88%	1.16%	-6.20%	-4.93%	-17.70%	2.44%	-5.96%	
XIV	**Average Net Surplus/(Deficit) as a % of operating income**	-8.22%				-6.73%				

Annex - II (a)

VIZAG SEAPORT PRIVATE LIMITED - GENERAL REVISION OF SCALE OF RATES

(Rs. in Lakhs)

Consolidated Income & Cost statement for the Terminal as a whole

Sr. No.	Particulars	Actual				Estimates at the existing level of tariff as given by VSPL				Estimates at the existing level of tariff as modified by TAMP			
		2014-15	2015-16	2016-17	Total	2017-18	2018-19	2019-20	Total	2017-18	2018-19	2019-20	Total
	Traffic (in tonnes)	5188617	4525387	6326717	16040721	6200000	6324000	6449000	18973000	6200000	6324000	6449000	18973000
	Capacity (in tonnes)	7700000	7700000	7700000		7700000	7700000	7700000		7700000	7700000	7700000	
I	**Total Operating Income**												
	(i) Vessel related income	464.30	1104.32	1729.76	3298.39	1393.28	1421.15	1449.17	4263.60	1396.55	1424.48	1452.56	4273.59
	(ii) Cargo related income	11010.88	9459.31	11636.71	32106.90	11458.20	11687.36	11918.65	35064.21	11458.20	11687.36	11918.65	35064.21
	Total - I	**11475.19**	**10563.63**	**13366.47**	**35405.29**	**12851.48**	**13108.51**	**13367.81**	**39327.81**	**12854.75**	**13111.84**	**13371.21**	**39337.79**
II	**Operating Costs (excluding depreciation)**												
	(i) Operating & Direct labour	228.18	335.35	410.23	973.75	474.11	490.86	508.17	1473.13	467.12	490.86	508.17	1466.15
	(ii) Maintenance labour	467.02	473.86	524.99	1465.87	569.65	581.04	592.66	1743.36	569.65	581.04	592.66	1743.36
	(iii) Equipment Running costs	1736.69	1558.56	1206.92	4502.16	1700.67	1751.13	1803.13	5254.92	1648.78	1707.38	1768.37	5124.53
	(iv) Maintenance dredging	53.98	0.00	13.50	67.48	101.69	103.72	105.79	311.20	50.84	51.86	52.90	155.60
	(v) Royalty / revenue share	293.60	351.71	519.57	1164.88	469.48	478.87	488.32	1436.66	469.89	479.29	488.76	1437.94
	(vi) Equipment hire	3060.30	3558.14	3899.82	10518.27	4079.36	4236.32	4398.20	12713.88	4080.38	4237.39	4399.31	12717.08
	(vii) Lease Rentals payable as per concession agreement	72.71	73.40	342.06	488.16	133.24	134.59	135.96	403.80	133.24	134.59	135.96	403.80
	(viii) Insurance	55.25	63.89	68.14	187.27	70.32	71.72	73.16	215.20	70.32	71.72	73.16	215.20
	(ix) Other expenses	616.98	475.06	519.66	1611.70	526.40	537.58	548.99	1612.97	526.40	537.58	548.99	1612.97
	(x) Technical service fee	12.16	12.16	12.16	36.48	12.16	12.16	12.16	36.48	12.16	12.16	12.16	36.48
	Total - II	**6596.85**	**6902.14**	**7517.04**	**21016.02**	**8137.06**	**8397.99**	**8666.54**	**25201.60**	**8028.79**	**8303.87**	**8580.44**	**24913.10**
III	Depreciation	1368.21	1411.78	1467.77	4247.75	1582.11	1577.65	1553.45	4713.22	1517.03	1512.57	1488.17	4517.78
IV	Overheads												
	(i) Management & Administration overheads	920.08	922.91	1079.73	2922.72	1073.94	1095.91	1118.33	3288.17	1078.63	1100.70	1123.22	3302.55
	(ii) Preliminary expenses & upfront payment write-off	33.10	33.10	33.10	99.31	33.10	33.10	33.10	99.31	33.10	33.10	33.10	99.31
	Total - IV	953.18	956.02	1112.83	3022.03	1107.04	1129.01	1151.43	3387.49	1111.74	1133.80	1156.32	3401.86
V	**Operating Surplus / (Deficit) (I) – (II) – (III) - (IV)**	**2,556.95**	**1,293.69**	**3,268.83**	**7,119.48**	**2,025.27**	**2,003.86**	**1,996.38**	**6,025.50**	**2,197.19**	**2,161.59**	**2,146.28**	**6,505.06**
VI	Finance & Miscellaneous Income (FMI)												
	(i) Discounted terminal value receivable as per the LA	4.32	4.83	5.41	14.56	4.32	4.32	4.32	12.95	6.06	6.79	7.61	20.46
	Total FMI	4.32	4.83	5.41	14.56	4.32	4.32	4.32	12.95	6.06	6.79	7.61	20.46
VII	Finance & Miscellaneous Expenses (FME)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
VIII	FMI Less FME (VI) - (VII)	4.32	4.83	5.41	14.56	4.32	4.32	4.32	12.95	6.06	6.79	7.61	20.46
IX	**Surplus Before Interest and Tax (V) + (VIII)**	**2,561.27**	**1,298.52**	**3,274.24**	**7,134.04**	**2,029.58**	**2,008.17**	**2,000.70**	**6,038.45**	**2203.25**	**2168.38**	**2153.88**	**6525.52**
X	Capital Employed	19543.77	19801.05	18421.57	19255.46	19527.27	17973.19	16443.99	17981.49	17369.84	15824.17	14302.90	15832.30
XI	RoCE - Maximum permissible 16%	3127.00	3168.17	2947.45	9242.62	3124.36	2875.71	2631.04	8631.11	2779.17	2531.87	2288.46	7599.51
XII	Capacity Utilization	67%	59%	82%		80.52%	82.13%	83.75%		81%	82%	84%	
XIII	**RoCE considered**	3127.00	3168.17	2947.45	9242.62	3124.36	2875.71	2631.04	8631.11	2779.17	2531.87	2288.46	7599.51
XIV	**Net Surplus / (Deficit) (IX) - (XIII)**	**(565.73)**	**(1,869.65)**	**326.79**	**(2,108.58)**	**(1,094.78)**	**(867.54)**	**(630.34)**	**(2,592.66)**	**(575.92)**	**(363.48)**	**(134.58)**	**(1,073.99)**
XV	**Adjustment by VSPL 50% of net deficit of the years 2014-15 to 2016-17.**					**(535.02)**	**(535.02)**	**(535.02)**	**(1,605.05)**	**0.00**	**0.00**	**0.00**	0.00
XVI	**Net Surplus / (Deficit) after adjustment of past deficit (XIV) - (XV)**					**(1,629.80)**	**(1,402.56)**	**(1,165.35)**	**(4,197.71)**	**(575.92)**	**(363.48)**	**(134.58)**	**(1,073.99)**
XVII	**Net Surplus / (Deficit) as a % of operating income (XVI/I)**	-4.93%	-17.70%	2.44%	-5.96%	-13%	-11%	-9%	-11%	-4.48%	-2.77%	-1.01%	
XVIII	**Average Net Surplus/(Deficit) as a % of operating income**		-6.73%				-10.70%				-2.73%		

VIZAG SEAPORT PRIVATE LIMITED - GENERAL REVISION OF SCALE OF RATES **Annex - II (b)**

(Rs. in Lakhs)

Cost statement of Cargo Handling Activity

Sr. No.	Particulars	Estimates at the existing level of tariff as given by VSPL				Estimates at the existing level of tariff as modified by TAMP			
		2017-18	2018-19	2019-20	Total	2017-18	2018-19	2019-20	Total
	Traffic (in tonnes)	6200000	6324000	6449000	18973000	6200000	6324000	6449000	18973000
I	**Total Operating Income**								
	(i) Cargo related income	11458.20	11687.36	11918.65	35064.21	11458.20	11687.36	11918.65	35064.21
	Total - I	**11458.20**	**11687.36**	**11918.65**	35064.21	**11458.20**	**11687.36**	**11918.65**	**35064.21**
II	**Operating Costs (excluding depreciation)**								
	(i) Operating & Direct labour	474.11	490.86	508.17	1473.13	467.12	490.86	508.17	1466.15
	(ii) Maintenance labour	569.65	581.04	592.66	1743.36	569.65	581.04	592.66	1743.36
	(iii) Equipment Running costs	1700.67	1751.13	1803.13	5254.92	1648.78	1707.38	1768.37	5124.53
	(iv) Maintenance dredging	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	(v) Royalty / revenue share	290.98	296.80	302.67	890.45	290.98	296.80	302.67	890.45
	(vi) Equipment hire	4079.36	4236.32	4398.20	12713.88	4080.38	4237.39	4399.31	12717.08
	(vii) Lease Rentals payable as per concession agreement	133.24	134.59	135.96	403.80	133.24	134.59	135.96	403.80
	(viii) Insurance	48.08	48.94	49.85	146.87	48.08	48.94	49.84	146.87
	(ix) Other expenses	526.40	537.58	548.99	1612.97	526.40	537.58	548.99	1612.97
	(x) Technical service fee	12.16	12.16	12.16	36.48	12.16	12.16	12.16	36.48
	Total - II	**7834.65**	**8089.43**	**8351.78**	**24275.86**	**7776.80**	**8046.74**	**8318.14**	**24141.68**
III	Depreciation	1103.84	1101.58	1075.10	3280.51	1103.84	1101.58	1075.10	3280.51
IV	Overheads								
	(i) Management & Administration overheads	957.51	977.10	997.09	2931.70	961.45	981.12	1001.20	2943.77
	(ii) Preliminary expenses & upfront payment write-off	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Total - IV	957.51	977.10	997.09	2931.70	961.45	981.12	1001.20	2943.77
V	**Operating Surplus / (Deficit) (I) – (II) – (III) - (IV)**	**1,562.21**	**1,519.27**	**1,494.67**	**4,576.15**	**1,616.12**	**1,557.93**	**1,524.22**	**4,698.26**
VI	Finance & Miscellaneous Income (FMI)								
	(i) Discounted terminal value receivable as per the LA	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	(ii) Others	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Total FMI	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
VII	Finance & Miscellaneous Expenses (FME)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
VIII	FMI Less FME (VI) - (VII)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
IX	**Surplus Before Interest and Tax (V) + (VIII)**	**1,562.21**	**1,519.27**	**1,494.67**	**4,576.15**	**1,616.12**	**1,557.93**	**1,524.22**	**4,698.26**
X	Capital Employed	13352.44	12264.69	11204.45	12273.86	12247.77	11146.19	10071.10	11155.02
XI	RoCE - Maximum permissible	2136.39	1962.35	1792.71	5891.45	1959.64	1783.39	1611.38	5354.41
XII	Capacity Utilization	81%	82%	84%	82%	81%	82%	84%	82%
XIII	**RoCE adjusted for capacity utilization**	2136.39	1962.35	1792.71	5891.45	1959.64	1783.39	1611.38	5354.41
XIV	**Net Surplus / (Deficit) (IX) - (XIII)**	**(574.18)**	**(443.09)**	**(298.04)**	**(1,315.31)**	**(343.53)**	**(225.46)**	**(87.16)**	**(656.15)**
XV	**Net Surplus / (Deficit) as a % of operating income (XIV/I)**	-5%	-4%	-3%		-3.00%	-1.93%	-0.73%	
XVI	**Average Net Surplus/(Deficit) as a % of operating income**		-4%				-1.87%		

Annex - II (c)
(Rs. in Lakhs)

Vessel related Income & Cost statement

Cost statement for vessel related activity

Sr. No.	Particulars	Estimates at the existing level of tariff as given by VSPL				Estimates at the existing level of tariff as modified by TAMP			
		2017-18	2018-19	2019-20	Total	2017-18	2018-19	2019-20	Total
I	**Total Operating Income**								
	(i) Vessel related income	1393.28	1421.15	1449.17	4263.60	1396.55	1424.48	1452.56	4273.59
	Total - I	**1393.28**	**1421.15**	**1449.17**	**4263.60**	**1396.55**	**1424.48**	**1452.56**	**4273.59**
II	**Operating Costs (excluding depreciation)**								
	(i) Operating & Direct labour	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	(ii) Maintenance labour	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	(iii) Equipment Running costs	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	(iv) Maintenance dredging	101.69	103.72	105.79	311.20	50.84	51.86	52.90	155.60
	(v) Royalty / revenue share	178.49	182.06	185.65	546.21	178.91	182.49	186.09	547.49
	(vi) Equipment hire	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	(vii) Lease Rentals payable as per concession agreement	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	(viii) Insurance	22.24	22.78	23.31	68.33	22.24	22.78	23.31	68.33
	(ix) Other expenses	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	(x) Technical service fee	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Total - II	**302.41**	**308.56**	**314.76**	**925.74**	**251.99**	**257.13**	**262.30**	**771.42**
III	Depreciation	478.28	476.08	478.36	1432.71	413.20	411.00	413.08	1237.27
IV	Overheads								
	(i) Management & Administration overheads	116.43	118.81	121.24	356.48	117.18	119.58	122.02	358.78
	(ii) Preliminary expenses & upfront payment write-off	33.10	33.10	33.10	99.31	33.10	33.10	33.10	99.31
	Total - IV	149.53	151.92	154.34	455.79	150.29	152.69	155.12	458.10
V	**Operating Surplus / (Deficit) (I) – (II) – (III) - (IV)**	463.06	484.59	501.71	1,449.36	581.07	603.66	622.06	1,806.80
VI	Finance & Miscellaneous Income (FMI)								
	(i) Discounted terminal value receivable as per the LA	4.32	4.32	4.32	12.95	6.06	6.79	7.61	20.46
	(ii) Others	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Total FMI	**4.32**	**4.32**	**4.32**	**12.95**	**6.06**	**6.79**	**7.61**	**20.46**
VII	Finance & Miscellaneous Expenses (FME)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
VIII	**FMI Less FME (VI) - (VII)**	**4.32**	**4.32**	**4.32**	**12.95**	**6.06**	**6.79**	**7.61**	**20.46**
IX	**Surplus Before Interest and Tax (V) + (VIII)**	**467.37**	**488.90**	**506.03**	**1,462.30**	**587.13**	**610.45**	**629.67**	**1,827.26**
X	Capital Employed	6174.84	5708.50	5239.54	5707.62	5122.09	4677.99	4231.81	4677.30
XI	RoCE - Maximum permissible	987.97	913.36	838.33	2739.66	819.53	748.48	677.09	2245.10
XII	Capacity Utilization	81%	82%	84%	82%	81%	82%	84%	82%
XIII	**RoCE adjusted for capacity utilization**	987.97	913.36	838.33	2739.66	819.53	748.48	677.09	2245.10
XIV	**Net Surplus / (Deficit) (IX) - (XIII)**	**(520.60)**	**(424.46)**	**(332.30)**	**(1,277.36)**	**(232.40)**	**(138.02)**	**(47.42)**	**(417.84)**
XV	**Net Surplus / (Deficit) as a % of operating income (XIV/I)**	-37%	-30%	-23%		-16.64%	-9.69%	-3.26%	
XVI	**Average Net Surplus/(Deficit) as a % of operating income**		-30%				-9.78%		

Annex - II (d)

VIZAG SEAPORT PRIVATE LIMITED - GENERAL REVISION OF SCALE OF RATES

(Rs. in Lakhs)

Cost statement for the sub-activity -BMHS

Sr. No.	Particulars	Estimates at the existing level of tariff as given by VSPL				Estimates at the existing level of tariff as modified by TAMP			
		2017-18	2018-19	2019-20	Total	2017-18	2018-19	2019-20	Total
I	**Total Operating Income**								
	(a) Handling Charges (b) Wharfage (c) Storage including demurrage & Others (d) Dust Suppression (e) Weighment Charges Others	3300.00	3366.00	3433.50	10099.50	3300.00	3366.00	3433.50	10099.50
	Total - I	**3300.00**	**3366.00**	**3433.50**	**10099.50**	**3300.00**	**3366.00**	**3433.50**	**10099.50**
II	**Operating Costs (excluding depreciation)**								
	(i) Operating & Direct labour	180.78	188.93	197.46	567.17	178.12	188.93	197.46	564.51
	(ii) Maintenance labour	509.21	522.14	540.70	1572.04	509.21	522.14	540.70	1572.04
	(iii) Equipment Running costs	961.58	986.11	1,011.50	2959.19	932.24	961.47	992.00	2885.72
	(iv) Maintenance dredging	-	-	-	0.00	-	-	-	0.00
	(v) Royalty / revenue share	104.28	106.37	108.50	319.15	104.28	106.37	108.50	319.15
	(vi) Equipment hire	123.98	129.57	135.42	388.96	124.01	129.60	135.45	389.06
	(vii) Lease Rentals payable as per concession agreement	66.62	67.30	67.98	201.90	66.62	67.30	67.98	201.90
	(viii) Insurance	30.39	30.55	31.16	92.11	30.39	30.55	31.16	92.10
	(ix) Other expenses	186.79	190.76	194.86	572.40	186.79	190.76	194.86	572.40
	(x) Technical service fee	6.08	6.08	6.08	18.24	6.08	6.08	6.08	18.24
	Total - II	**2169.71**	**2227.79**	**2293.66**	**6691.16**	**2137.74**	**2203.19**	**2274.19**	**6615.12**
III	Depreciation	745.78	743.95	721.93	2211.66	745.78	743.95	721.93	2211.66
IV	Overheads								
	(i) Management & Administration overheads	311.63	330.32	350.24	992.19	312.91	331.68	351.68	996.28
	(ii) Preliminary expenses & upfront payment write-off								
	Total - IV	311.63	330.32	350.24	992.19	312.91	331.68	351.68	996.28
V	**Operating Surplus / (Deficit) (I) – (II) – (III) - (IV)**	72.88	63.93	67.67	204.49	103.57	87.18	85.69	276.44
VI	Finance & Miscellaneous Income (FMI)								
	(i) Discounted terminal value receivable as per the LA	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	(ii) Others	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Total FMI	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
VII	Finance & Miscellaneous Expenses (FME)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
VIII	FMI Less FME (VI) - (VII)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
IX	**Surplus Before Interest and Tax (V) + (VIII)**	**72.88**	**63.93**	**67.67**	**204.49**	**103.57**	**87.18**	**85.69**	**276.44**
X	Capital Employed	7839.65	7094.07	6369.47	7101.06	7191.06	6447.11	5725.18	6454.45
XI	RoCE - Maximum permissible	1254.34	1135.05	1019.12	3408.51	1150.57	1031.54	916.03	3098.14
XII	Capacity Utilization	81%	82%	84%		81%	82%	84%	
XIII	**RoCE adjusted for capacity utilization**	1254.34	1135.05	1019.12	3408.51	1150.57	1031.54	916.03	3098.14
XIV	**Net Surplus / (Deficit) (IX) - (XIII)**	**(1,181.46)**	**(1,071.12)**	**(951.44)**	**(3,204.02)**	**(1,047.00)**	**(944.36)**	**(830.33)**	**(2,821.69)**
XV	**Net Surplus / (Deficit) as a % of operating income (XIV/I)**	-36%	-32%	-28%		-31.73%	-28.06%	-24.18%	
XVI	**Average Net Surplus/(Deficit) as a % of operating income**	-32%				-27.94%			

Annex - II (e)

VIZAG SEAPORT PRIVATE LIMITED - GENERAL REVISION OF SCALE OF RATES

(**Rs. in Lakhs**)

Cost statement for the sub-activity-Conventional Cargo Handling

Sr. No.	Particulars	Estimates at the existing level of tariff as given by VSPL				Estimates at the existing level of tariff as modified by TAMP			
		2017-18	2018-19	2019-20	Total	2017-18	2018-19	2019-20	Total
I	**Total Operating Income**								
	(a) Handling Charges (b) Wharfage (c) Storage including demurrage & Others (d) Dust Suppression (e) Weighment Charges Others	**8,158.20**	**8,321.36**	**8,485.15**	**24,964.71**	**8,158.20**	**8,321.36**	**8,485.15**	**24,964.71**
	Total - I	**8158.20**	**8321.36**	**8485.15**	**24964.71**	**8158.20**	**8321.36**	**8485.15**	**24964.71**
II	**Operating Costs (excluding depreciation)**								
	(i) Operating & Direct labour	293.33	301.92	310.71	905.96	289.00	301.92	310.71	901.64
	(ii) Maintenance labour	60.44	58.91	51.97	171.32	60.44	58.91	51.97	171.32
	(iii) Equipment Running costs	739.09	765.02	791.63	2295.73	716.54	745.91	776.37	2238.81
	(iv) Maintenance dredging	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	(v) Royalty / revenue share	186.70	190.43	194.17	571.30	186.70	190.43	194.17	571.30
	(vi) Equipment hire	3,955.38	4,106.76	4,262.78	12324.92	3,956.37	4,107.79	4,263.86	12328.02
	(vii) Lease Rentals payable as per concession agreement	66.62	67.30	67.98	201.90	66.62	67.30	67.98	201.90
	(viii) Insurance	17.69	18.39	18.69	54.77	17.69	18.39	18.68	54.77
	(ix) Other expenses	339.61	346.83	354.13	1040.57	339.61	346.83	354.13	1040.57
	(x) Technical service fee	6.08	6.08	6.08	18.24	6.08	6.08	6.08	18.24
	Total - II	**5664.94**	**5861.64**	**6058.13**	**17584.70**	**5639.06**	**5843.56**	**6043.94**	**17526.56**
III	Depreciation	358.06	357.63	353.17	1068.85	358.06	357.63	353.17	1068.85
IV	Overheads								
	(i) Management & Administration overheads	645.88	646.77	646.85	1939.50	648.54	649.43	649.51	1947.49
	(ii) Preliminary expenses & upfront payment write-off								
	Total - IV	645.88	646.77	646.85	1939.50	648.54	649.43	649.51	1947.49
V	**Operating Surplus / (Deficit) (I) – (II) – (III) - (IV)**	1,489.33	1,455.33	1,427.00	4,371.66	1,512.55	1,470.74	1,438.52	4,421.81
VI	Finance & Miscellaneous Income (FMI)								
	(i) Discounted terminal value receivable as per the LA	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	(ii) Others	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Total FMI	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
VII	Finance & Miscellaneous Expenses (FME)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
VIII	FMI Less FME (VI) - (VII)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
IX	**Surplus Before Interest and Tax (V) + (VIII)**	**1,489.33**	**1,455.33**	**1,427.00**	**4,371.66**	**1,512.55**	**1,470.74**	**1,438.52**	**4,421.81**
X	Capital Employed	5512.79	5170.63	4834.98	5172.80	5056.71	4699.08	4345.91	4700.57
XI	RoCE - Maximum permissible	882.05	827.30	773.60	2482.94	809.07	751.85	695.35	2256.27
XII	Capacity Utilization								
XIII	**RoCE adjusted for capacity utilization**	882.05	827.30	773.60	2482.94	809.07	751.85	695.35	2256.27
XIV	**Net Surplus / (Deficit) (IX) - (XIII)**	**607.28**	**628.03**	**653.40**	**1,888.71**	**703.57**	**718.99**	**743.17**	**2165.54**
XV	**Net Surplus / (Deficit) as a % of operating income (XIV/I)**	7.44%	7.55%	7.70%		8.62%	8.64%	8.76%	
XVI	**Average Net Surplus/(Deficit) as a % of operating income**		8%				8.67%		

ANNEX - III

VIZAG SEAPORT PRIVATE LIMITED

SCALE OF RATES

SECTION - 1

1.1. Definitions - General

In this Scale of Rates unless the context otherwise requires, the following definitions shall apply:

(1). "VPT" means Visakhapatnam Port Trust (VPT).

(2). "VSPL" means Vizag Seaport Private Limited, a Company incorporated in India, its successors and assignees.

(3). "Coastal vessel" means any vessel exclusively employed in trading between any port or place in India to any other port or place in India having a valid coastal licence issued by the competent authority.

(4). "Foreign-going vessel" means any vessel other than coastal vessel.

(5). "Day" shall mean the period starting from 6.00 A.M. of a day and ending at 6.00 A.M. on the next day.

(6). "Hirer" shall mean all users of any of the appliances provided by VSPL.

1.2. General Terms & Conditions

(1). Status of a vessel as borne out by its certification issued by the Customs or Director General of Shipping is the relevant factor for deciding whether the vessel is 'foreign-going' or 'coastal'. Foreign going vessels permitted to undertake coastal voyages and the cargo/container carried by them will also qualify for the concession in respect of such permissible voyages.

(2). (i). A foreign-going vessel of Indian Flag having a General Trading License can convert to Coastal run on the basis of a Customs Conversion Order.

(ii). A foreign-going vessel of Foreign Flag can convert to coastal run on the basis of Coastal Voyage License issued by the Director General of Shipping.

(iii). In cases of such conversion, coastal rates shall be chargeable by the load port from the time the vessel starts loading coastal goods.

(iv). In case of such conversion coastal rates shall be chargeable only till the vessel completes coastal cargo discharging operations; immediately thereafter, foreign-going rates shall be chargeable by the discharge ports.

(v). For dedicated Indian coastal vessels having a Coastal License from the Director General of Shipping, no other document will be required to be entitled to coastal rates.

(3). Berth hire charges shall be levied on ship owners / steamer agents. Wherever rates have been denominated in US dollar terms, the charges shall be recovered in Indian Rupees after conversion of US currency to its equivalent Indian Rupees at the Market Buying rate notified by the Reserve Bank of India, State Bank of India or its associates or any other Public Sector Banks as may be specified from time to time. The day of entry of the vessel into the port limit shall be reckoned as the day for such conversion.

(4). A regular review of exchange rate shall be made once in thirty days from the date of arrival of the vessels in cases of vessels staying in the VSPL for more than thirty days. In such cases the basis of billing shall change prospectively with reference to the appropriate exchange rate prevailing at the time of review.

(5). No refund shall be made if the amount refundable is less than ₹100/-. This limit shall also be applied for supplementary claims for under charges.

(6). For the purpose of calculating the dues, the unit by weight shall be 1 tonne or 1,000 kilograms, the unit by volume measurement shall be 1 cubic metre and the unit by capacity measurement for liquids in bulk shall be 1,000 litres.

(7). In calculating the gross weight or measurement by volume or capacity of any individual item, fractions upto 0.5 be taken as 0.5 unit and fractions of 0.5 and above be treated as one unit, except where otherwise specified.

(8). Interest on delayed payments / refunds

(i). The user shall pay penal interest on delayed payments of any charge under this Scale of Rates. The rate of interest will be 15.85%.

(ii). Likewise, the VSPL shall pay penal interest @ 15.85% per annum on delayed refunds.

(iii). The delay in payments by the users will be counted only 10 days after the date of raising the bills by the VSPL. This provision shall, however, not apply to the cases where payment is to be made before availing the services as stipulated in the Major Port Trusts Act and/or where payment of charges in advance is prescribed in this Scale of Rates.

(iv). The delay in refunds will be counted only 20 days from the date of completion of services or on production of all the documents required from the users, whichever is later.

(9). All charges worked out shall be rounded off to the next higher rupee on the grand total of each bill.

(10). All goods landed within the limits of the VSPL shall be assessed on import application and the fees shall be paid before the goods are removed.

(11). All goods intended for shipment shall be assessed on export application and the fees shall be paid before the goods are shipped.

(12). (i). The vessel related charges for all coastal vessels should not exceed 60% of the corresponding charges for other vessels.

(ii). The cargo related charges for all coastal cargo, other than thermal coal, POL including crude oil, Iron Ore and iron pellets, should not exceed 60% of the normal cargo related charges.

(iii). In case of cargo related charges, the concessional rates should be levied on all the relevant handling charges for ship-shore transfer and transfer from/to quay to/from storage yard including wharfage.

(iv). Cargo from a foreign port which reaches an Indian Port ‘A’ for subsequent transhipment to Indian Port ‘B’ will be levied the concession charges relevant for its coastal voyage. In other words, cargo from / to Indian Ports carried by vessels permitted to undertake coastal voyage will qualify for concession.

(13). System of classification of vessel for levy of Vessel Related Charges (VRC)

(i). A foreign going vessel of Indian flag having a General Trading Licence can convert to coastal run on the basis of a Customs Conversion Order. Such vessel that converts into coastal run based on the Customs Conversion Order at her first port of call in Indian Port, no further custom conversion is required, so long as it moves on the Indian Coast.

(ii). A foreign going vessel of foreign flag can convert to coastal run on the basis of a Licence for Specified Period or voyage issued by the Director General of Shipping and Custom Conversion order.

(14). Criteria for levy of vessel related charges (VRC) at Concessional Coastal rate and foreign rate

(i). In cases of such conversion, coastal rates shall be chargeable by the load port from the time the vessel starts loading coastal goods.

(ii). In cases of such conversion coastal rates shall be chargeable till the vessel completes discharging operations at the last call of Indian Port; immediately thereafter, foreign going rates shall be chargeable by the discharge ports.

(iii). For dedicated Indian coastal vessels having a Coastal licence from the Director General of Shipping, no other document will be required to be entitled to coastal rates.

(15). Criteria for levy of Cargo Related Charges (CRC) at Concessional Coastal rate

(i). Foreign going Indian vessel having General Trading License issued for 'worldwide and coastal' operation should be accorded applicable coastal rates with respect to Handling Charges (HC) i.e. ship to shore transfer and transfer from/ to quay to/ from storage yard including wharfage in the following scenario:-

(a). Converted to coastal run and carrying coastal cargo from any Indian Port and destined for any other Indian Port.

(b). Not Converted* to coastal run but carrying coastal cargo from any Indian Port and destined for any other Indian Port.
*The Central Board of Excise & Customs - Circular No 15/2002-Cus dated 25th February 2002 allows carriage of coastal cargo from one Indian Port to another Indian Port in India, in Indian flag foreign going vessels without any Custom Conversion.

(ii). In case of Foreign flag vessels converted to coastal run on the basis of a License for Specified period or voyage issued by the Director General of Shipping and a Custom Conversion Order, the coastal cargo/ container loaded from Indian Port and destined from any other Indian Port should be levied at the rate applicable for coastal cargo / container.

(16). In case of damages to crafts, berths, fenders, bollards and other shore equipments, tools and plants, the hirer shall deposit anticipated amount for all such charges for damages as assessed by the VSPL immediately on receipt of the demand, pending determination of the actual charges. In case of total loss, the hirer shall deposit the book value or market value of the crafts or appliances or properties of the VSPL whichever is higher. The VSPL shall refund the cost of damage received from the insurance company on admittance of its claim to the hirer from whom the cost of damage of the equipment was recovered, along with interest as applicable.

(17). Users will not be required to pay charges beyond a reasonable level attributable to the VSPL.

(18). In order to decongest the ports and encourage exporters / importers to utilize the port services beyond regular hours, lower charges may be levied for cargo and vessels related services as well as special discount may be offered in port charges for the services rendered after regular hours.

[This condition is incorporated in pursuance to the MOS letter No.PD/14033/101/2015-PD.V dated 3 February 2016 based on which a common adoption Order No.TAMP/14/2016-Misc dated 16 February 2016 is approved by the Authority]

SECTION - 2

VESSEL RELATED CHARGES

2.1 BERTH HIRE

2.1.1 Schedule of Berth Hire for Vessels

DESCRIPTION	Rate per GRT per hour or part thereof	
	Foreign-going vessel (in US $)	Coastal vessel (in ₹)
Berth EQ 8 & EQ 9	0.0083 subject to a minimum of US$ 166/-	0.2182 subject to a minimum of ₹4,363/-

General Notes relating to Berth hire

(1). Berth hire for the period of 1 hour in which the vessel changes its status can be charged on the basis of the status of the vessel at the beginning of the relevant block of 1 hour period.

(2). The period of berth hire shall be calculated from the time mooring in the berth is completed.

(3). No berth hire charges shall be payable for the period when loading/unloading operations cannot be carried out due to non-availability or break down of plant equipment or any other reasons including power failure attributable to VSPL.

(4). (i). There shall be a time limit beyond which berth hire shall not apply. The berth hire shall cease to apply 4 hrs after the time of vessel signalling its readiness to sail.

(ii). The time limit of 4 hrs prescribed for cessation of berth hire shall exclude the ship's waiting time for want of favourable tidal condition or on account of inclement weather or due to absence of night navigation facilities.

(iii). The Master/Agent of the vessel shall signal readiness to sail only in accordance with favourable tidal and weather condition.

(iv). There shall be a penal berth hire equal to one day's berth hire charge for a false signal.

"False signal" would be when a ship signals readiness and asks for a pilot in anticipation even when she is not ready for unberthing due to engine not being ready or cargo operation not completed or such other reasons attributable to the vessel. This excludes the signalling readiness when a ship is not able to sail due to unfavourable tide, lack of night navigation or adverse weather conditions".

(5). Ousting Priority/Priority berth Hire:

(i). For providing the "ousting priority" to any vessel, a fee equivalent to berth hire for a single day (24 units of one hour each) or 100% of the berth hire calculated for the total period of actual stay at the berth, whichever is higher, shall be levied.

(ii). For "priority berthing" to any vessel, a fee equivalent to berth hire for a single day (24 units of one hour each) or 75% of the berth hire, calculated for the total period of actual stay at the berth whichever is higher, shall be levied.

(iii). Where a working berth is already vacant for want of a vessel and a vessel having priority / ousting priority is berthed at that vacant berth when there are no vessels waiting at roads for berthing prior to its arrival or when the vessels waiting at roads are not ready in all aspects (unreadiness of documents/lack of cargo/lack of ullage/hatch cleaning/ receivers or shippers not willing to work), it is not treated as priority berthing and in such cases no priority berthing charges will be levied.

(iv). The fee for according priority/ousting priority as indicated above shall be charged from all the vessels except the following categories:

(a). Vessels carrying cargo on account of Ministry of Defence.

(b). Defence vessels coming on goodwill visits.

(c). Vessels hired for the purpose of Antarctica expedition by Department of Ocean Development.

(d). Any other vessel for which special exemption has been granted by the Ministry of Shipping

(e). Coastal vessels which will be accorded priority berthing shall not be liable to pay priority berthing charges.

Note: The VSPL is governed by clause 3.9 (b) of the License Agreement which provides that the Licensee (VSPL) may with the prior written approval of the Licensor (VPT) offer preferential or priority berthing to any one or more shipping lines or vessel owners / operators to optimize the use of the berths and equipment.

2.1.2. Penal Berth Hire Charges

Penal berth hire charges shall become payable for over-stayal of the vessel beyond the berth occupancy as per the norms given in clause 2.1.4 if the norms cannot be achieved due to any reasons attributable to the vessel.

(i). Vessel shall be permitted to occupy the berth after completion of cargo operation without attracting penal berth hire charges for period mentioned below:

(a).	Any vessel which requires “securing”	10 hrs
(b).	Food Grains vessels requiring fumigation and Inerting	10 hrs
(c).	In all other cases	7 hrs

(ii). The berth occupancy for each vessel for the purpose of levy of penal berth hire charges shall be subject to the following conditions:

(a). For deciding the period of stay of a vessel, number of shifts lost due to labour stoppage of work and labour holiday shall be excluded.

(b). The shift in which the vessel is berthed shall not be deciding the vessels stay at berth since normally vessels are berthed in the middle of shift resulting in engagement of less number of hooks.

(c). In case of new cargoes, average performance of three consignments shall be fixed as "NORM" tentatively which will be reviewed after six months for further refinement.

(d). Any stoppage of work for reasons attributable to VSPL shall be excluded.

(iii). (a). In case of supply of bunkers and or water through barges, the vessel shall be permitted to stay at berth without attracting penal berth hire for 8 hours.

(b). In case of supply of water, the vessel shall be permitted to stay at berth without attracting penal berth hire for 12 hours from the time of placement of barge alongside the vessel.

(c). Vessels taking water / bunker through sources other than barge will be permitted to stay for 8 hours from the time of completion of loading / unloading the cargo without attracting penal berth hire.

2.1.3. Penal berth hire charges shall be levied in addition to normal berth hire for the period of over-stayal at the rates prescribed below.

Sl. No.	Particulars	Unit	Foreign-going vessel (in US $)	Coastal vessel (in ₹)
1.	Up to 6 hours	Per GRT	0.016	0.42
2.	Above 6 hrs. and upto 12 hours	- do -	0.032	0.84
3.	Above 12 hrs. but upto 18 hours.	- do -	0.064	1.67
4.	Above 18 hrs. per day or part there of	- do -	0.080	2.09

2.1.4. Commodity wise per vessel hook per shift output rates

For Exports

Sl. No.	Nomenclature	Per hook per shift output (in tonnes)
1.	Containers (boxes)	20
2.	Ferro Silicon	102
3.	General Cargo	82
4.	Iron & Steel	180
5.	Iron Ore & Pellets (manual loading)	598
6.	Maize	61
7.	Sugar	94
8.	Wheat (bags)	91
9.	Rice (bags)	81
10.	Rice (Bulk)	80
11.	Aluminium Billets	98
12.	Aluminium Ingots	110
13.	C.P. Coke	346
14.	Cement	102
15.	Charge Chrome	404
16.	Chick Peas	219
17.	Chrome Ore	188
18.	Coal tar (Bags)	192

For Imports

Nomenclature	Per hook per shift output (in tonnes)
Containers (boxes)	22
Ferro Silicon	262
General cargo	86
Iron & Steel	108
Iron Ore (manual unloading)	560
Maize (bulk)	234
Sugar in bags	82
Wheat (in bulk)	134
Rice	62
Rock Phosphate	281
Ammonium Nitrate	347
Ammonium Sulphate	210
Bauxite Bags	233
Bentonite	254
Bulgar wheat bags	62
Carbon Anodes	229
Chrome Ore	206
Coal tar pitch	77

Sl. No.	Nomenclature	Per hook per shift output (in tonnes)	Nomenclature	Per hook per shift output (in tonnes)
19.	Coffee (Bags)	67	Coking Coal (a) Discharged by vessels with self discharging gear (b) All types of coal discharged by non-self discharging vessels	622 360
20.	Dry Yeast	62	CSB in bags	74
21.	Feldspar	317	DAP Bulk	262
22.	Fenugreek	99	DBM in bags	242
23.	Ferro Chrome (Bulk)	341	DBM in Bulk	220
24.	Ferro Chrome Bags	226	Dolomite	405
25.	Ferro Manganese	99	Coal / Coke (parcel of below 20000)	234
26.	Granite Blocks	199	Coal / Coke (parcel of above 20000)	361
27.	Ilmenite Sand	333	Lime Stone	372
28.	Kenaf	40	Mono Ammonium Phosphate	210
29.	Manganese Ore	310	MOP	267
30.	Pet Coke (Bags)	83	Oil Pailes	57
31.	Pig Iron	458	Paper bundle	212
32.	Quarzite	117	Petroleum Coke	401
33.	Silicon Manganese Ore (Bags)	200	Steam coal	578
34.	Silicon Manganese Ore (Bulk)	538	Wood pulp	236
35.	Soya extracts	172	Sulphur	278
36.	Thermal Coal	665	Timber logs	114
37.	Vegetables	53	Urea	283

Notes:

(1). The total number of hooks worked shall be reckoned to compute the per hook per shift productivity.

(2). The following two cases shall be deemed as non-performance / poor performance of the vessel:

(a). If a vessel works with less number of hooks for reasons such as lack of / insufficient cargo, improper stowage, failure of ship's gear and lack of clearance arrangements;

(b). If the actual hook output in the shifts following the shift in which the vessel is berthed does not conform to the norms prescribed for that commodity.

2.2. CHARGES FOR SUPPLY OF WATER TO VESSELS:

Item No.	Description	Unit	Foreign-going vessel (in US $)	Coastal vessel (in ₹)
1.	Supply of fresh water to vessels at Shore.	Per 1000 Ltrs. or part thereof	3.241 subject to a minimum charge of $ 16.205	₹84.65 subject to a minimum charge of ₹423.25
2.	Supply of fresh water to vessels by Boat at Quay Walls, Jetties and Moorings.	Per 1000 Ltrs. or part thereof	4.182 subject to a minimum charge of $ 20.912	₹109.20 subject to a minimum charge of ₹546.00

SECTION - 3

CARGO RELATED CHARGES

3.1. WHARFAGE:

Item No.	Nomenclature	Unit	Rate (in ₹)	
			Other than coastal cargo	Coastal cargo
1.	All types of Coal (other than thermal coal), Coke and Coal tar pitch	Tonne	39.00	23.40
2.	Alumina (bulk),	Tonne	45.00	27.00
3.	Aluminium, Alumina Sow Ingots, Alumina Billetts and Alumina products	Tonne	33.00	19.80
4.	Asphalt/bitumen, Barytes and Feldspar, Cement clinker (including cement)	Tonne	21.30	12.80
5.	Manganese Ore	Tonne	21.30	12.80
6.	Blast furnace slag, Bentonite, Dolomite chips, Fly Ash and River sand	Tonne	19.50	11.70
7.	Calcined petroleum coke	Tonne	45.00	27.00
8.	Caustic Soda	Per K.L.	39.25	23.55
9.	Cereals, food grains, Pulses and Sugar	Tonne	24.70	14.80
10.	Charge chrome, Ferro Manganese, Ferro Silicon Silicon Manganese, High carbon Ferrochrome, and other ores.	Tonne	57.00	34.20
11.	Chemicals	Tonnes	61.65	37.00
12.	Edible Oils	K.L.	17.95	10.80
13.	Electrical goods (in %)	Ad valorem	0.30%	0.18%
14.	Fertilizers (including MOP)	Tonne	41.25	24.75
15.	Granite Blocks & Marbles	Tonne	55.50	33.30
16.	Gypsum	Tonnes	44.85	26.90
17.	Ilemenite sand	Tonne	14.60	8.75
18.	Iron Ore	Tonne	24.70	24.70
19.	Iron Ore Pellets	Tonne	25.80	25.80
20.	Limestone	Tonne	36.00	21.60
21.	Liquid Ammonia, Molten Sulphur, Rock phosphate and Sulphur	Tonne	33.65	20.20
22.	Machinery	Ad valorem	0.16%	0.09%
23.	Molasses	K.L.	39.25	23.55
24.	All types of Oil Extractions like Soya, Rape seed etc.,	Tonne	13.45	8.10
25.	Pig iron	Tonne	42.60	25.55
26.	R.R. materials:	Tonne	37.00	22.20
27.	Steel Products (including scrap) – all varieties	Tonne	49.30	29.60
28.	Styrene Monomar	Tonne	61.65	37.00
29.	Thermal Coal	Tonne	21.30	21.30
30.	Timber Logs & Wood items	Cu. M	24.70	14.80
31.	Unenumerated goods having FOB/CIF value upto and inclusion of ₹1000/- per tonne.	Tonne	10.00	6.00
32.	Unenumerated goods having value more than ₹1000/- per tonne.	Tonne	40.00	24.00

Notes:

(1). Before classifying any cargo as 'un-enumerated goods' the relevant Customs classification shall be referred to find out whether the cargo can be classified under any of the specific categories mentioned in the Schedule given above.

(2). Wharfage charges are leviable on goods entering the docks even if they are not shipped. However, for the excess cargo brought into docks for shipment but not shipped, no wharfage will be levied if the cargo is removed within 24 hours of shipment

(3). Charges on packages containing articles of a miscellaneous character shall be levied at the rate applicable to the individual articles.

(4). Advalorem wharfage on imports shall be calculated on CIF value; on the exports on FOB value; and on coastal cargo on value specified in the bill of coastal goods. Customs bills of entry/shipping bill/bill of coastal goods shall be the main documents for assessing the value of cargo for wharfage purpose and where it is not available, the value will be determined based on Bill of Lading/invoice etc.

3.2. WHARFAGE CHARGES FOR SPECIFIED CASES

In the following specified cases wharfage charges shall be levied as specified in Section 3.1.

(i). On crafts carried on board the vessel.
(ii). On goods abandoned.
(iii). On the manifested description of package whether they are landed empty or partly empty.

3.3. WHARFAGE CHARGES ON GOODS FROM VESSELS IN DISTRESS

Item No.	Description	Charges Payable
1.	Cargo of other Ports landed from vessels in distress.	As specified in Section 3.1.
2.	Cargo that already paid export wharfage but has not been carried to destination.	No Wharfage
3.	Cargo of other Ports reshipped without having left the VSPL's premises.	No wharfage at the time of shipment.

3.4. CHARGES ON TRANSHIPMENT CARGOES

Item No.	Description	Charges Payable
1.	On cargo landed from one vessel and subsequently shipped to another vessel.	150% of the applicable Wharfage

Notes:

(1). Cargo/container from a foreign port which reaches an Indian Port ‘A’ for subsequent transshipment to Indian Port ‘B’ will also qualify insofar as the concessional charges relevant for its coastal voyage. In other words, cargo/containers from/to Indian Ports carried by vessels permitted to undertake coastal voyage will qualify for the concession.
(2). The concessional tariff prescribed for coastal cargo does not apply to the operations of loading/unloading on arrival/departure from/to a foreign port. Concessional cargo related charges will be levied only for handling the consignment in related to its coastal voyage.

3.5. DEMURRAGE CHARGES (IMPORTS/ EXPORTS/TRANSHIPMENT):

The demurrage charges for cargo provided transit storage shall be levied on the cargoes after the expiry of free days as under.

Item No.	Description	(Rate in ₹)
1.	For the first ten days after the expiry of free period.	₹12.00 per tonne/Cu. meter or part thereof for every day or part there of.
2.	Thereafter.	₹24.00 per tonne/Cu. meter or part thereof for every day or part thereof.

Notes:

(1). In case of goods for which wharfage charges are collected on 'advalorem' basis, demurrage shall be levied on 'per tonne' basis. In all other cases demurrage shall be levied on 'per tonne' basis or 'per cubic metre' basis as the case may be based on the wharfage charges collected.

(2). All goods shall be allowed free storage as indicated below:

(i). **Exports**

(a). 20 days (excluding Customs holidays and VSPL's non-working days) from the actual date of the receipt of the goods in the VSPL premises.

(ii). **Imports**

(a). Three days (excluding Customs holidays and VSPL's non-working days) from the day following the day of completion of final discharge and in the case of salvaged goods, from the day following the day of salvage.

(b). Where goods are landed by the vessel into lighters, barges or other floating crafts, the free days shall be calculated from the day of complete discharge of the goods from the lighters, barges or other floating craft, on the wharf or jetty.

(iii). **Transhipment Cargo**

10 days (excluding Customs holidays and VSPL's non-working days) from the last day of discharge of cargo from the VSPL premises.

(3). **Demurrage on goods detained:**

The following periods shall be excluded from the calculation of any period for which free storage is allowed under this rule viz.:

(i). Any period during which goods are detained by the Health Officer before being destroyed.

(ii). Periods during which the goods are detained by the Commissioner of Customs for the purpose of special examination involving analytical or technical test other than the ordinary process of appraisement and certified by the Commissioner of Customs to be not attributable to any fault or negligence on the part of the Importers/Exporters;

(iii). Where goods are detained by the Commissioner of Customs on account of Import/ Export Control formalities and the delay is certified by the Commissioner of Customs to be not attributable to any fault or negligence on the part of the Importer/Exporter,

For such period of detention demurrage charges shall be recovered as under:

First 45 days	:	Free
46 days to 90 days	:	50% of actual demurrage charges
Beyond 90 days	:	100% of actual demurrage charges

Actual demurrage charges at full rate shall be worked out as per Scale of Rates at the appropriate slab as applicable after 45 days and the concessional rate mentioned above shall be applied thereon on the full demurrage charges leviable.

The first 45 days shall be reckoned with as follows:

(a). First 45 days after expiry of free days if cargo is detained by the Customs before expiry of free days; and,

(b). First 45 days from the date of detention if cargo is detained by the Customs after accrual of demurrage charges.

The detention certificate for availing the above concession shall be submitted within a period of six months from the date of clearance of goods.

(iv). Demurrage charge on cargo shall not accrue for the period when the VSPL is not in a position to deliver / ship the cargo when requested by the user due to reasons attributable to VSPL.

(v). If operational area is leased on rental to user, demurrage on cargo stored therein shall not be levied again.

3.6. Storage charges: (open stacking space)

3.6.1 Free Period:

(a). **Export:**
1 day free period (excluding Customs holidays and VSPL's non working days) will be allowed from the date of receipt of goods in the VSPL premises.

(b). **Import:**
1 day free period (excluding Customs holidays and VSPL's non working days) will be allowed from the day following the completion of final discharge of cargo from the vessel.

3.6.2. Storage charges leviable beyond the free period:

Description	Unit	Rate (in ₹)
For the first fortnight after the expiry of free period	Per Tonne or part thereof per fortnight	₹6/-
Second fortnight and thereafter		₹9/-

Notes:

(1). Storage beyond 30 up to 45 days shall attract penal storage charges @ ₹3/- per ton per day in addition to the second fortnight storage charges. Beyond 45 days storage charges shall be ₹24/- per ton per day.

3. 7. Stevedoring charges:

Commodities	Rate in ₹ Per Ton	
	Other than coastal cargo	Coastal cargo
Dry Bulk:		
Fertilisers & FRM	44.85	26.90
Pet coke, Calcined Pet Coke and Met Coke	25.00	15.00
Iron ore	25.00	25.00
Coking Coal	23.00	13.80
Cement Clinker	40.00	24.00
Feldspar	20.00	12.00
Thermal Coal	25.80	25.80
Steam Coal	25.80	15.50
Illuminated Sand	22.45	13.50
Lime Stone	25.00	15.00
Gypsum	25.00	15.00
Food Grain	39.25	23.55
Slag	22.45	13.50
Scrap	33.65	20.20
Raw Sugar	24.65	14.80
Unenumurated goods / cargo	40.00	24.00
Break-Bulk:		
Steel	44.85	26.90
Pig Iron	28.05	16.85
Timber Logs	95.30	57.20
Granite	60.00	36.00
Others	39.25	23.55

Note:

(1). The charges mentioned above are leviable for providing any or all of the activities like Picking, Lifting, Hoisting, Maneuvering, Positioning, Lowering, Unloading and Loading of Cargo bulk or break-bulk from/or into the Vessel's holds/Hatches/Combings/Wing Spaces/Between Decks and Decks till the Cargo is safely positioned either on the Wharf or on the Vessel, as the case may be.

(2). Coal handled under Bulk material handling system will not attract separate stevedoring charges prescribed in the schedule 3.7.

3.8. Charges for shore operations:

(Rate in ₹ per tonne or part thereof)

Other than Coastal cargo	Coastal cargo
65.00	39.00

Note: Concessional tariff prescribed for coastal cargo will not be applicable for thermal coal, POL including crude oil, iron ore and iron ore pellets.

SECTION - 4

CHARGES FOR DEPLOYMENT OF EQUIPMENT

4.1. 104 Tonne Harbour Mobile Crane:

Rate in ₹ per tonne or part thereof (in ₹)	
Other than coastal cargo	**Coastal cargo**
₹64.00 per ton or part thereof subject to minimum of ₹3,20,000/- per shift per crane	₹38.40 per ton or part thereof subject to minimum of ₹1,92,000/- per shift per crane

Notes:

(1). Concessional tariff prescribed for coastal cargo will not be applicable for thermal coal, POL including crude oil, iron ore and iron ore pellets.

(2). This charge prescribed cover only the charges for working of the cranes. Slinging and unslinging and moving the loads within the reach of the crane shall be the responsibility of the hirer.

4.2. Charges for hire of Gantry unloader:

Description	Rate in ₹ per tonne or part thereof
Charges for hire of Gantry unloader	26.30

4.3. Dust suppression system charges:

Item No.	Description	Unit	Rate per tonne or part thereof (in ₹)
Pollution control charges for water sprinkling			
1.	For Dry Bulk	Per Tonne or part thereof	2.00
2.	For Break Bulk	Per Tonne or part thereof	0.50

4.4. Weighment Charges:

Item No.	Description	Unit	Rate per tonne or part thereof (in ₹)
1.	80 Tonne Electronic Road Weigh bridge	Per Tonne	3.00
2.	120 Tonne Electronic In Motion Weigh bridge	Per Tonne	5.00

Note: The service is optional and will be provided at the request made by the user.

4.5. Material Handling System for handling bulk cargo:

Item No.	Description	Rate per tonne or part thereof (in ₹)
1.	Discharge of cargo with 104 MT Harbour Mobile Cranes	64.00
2.	1200 TPH Mobile Hoppers – 2 Nos. with belt feeders and telescopic spout for truck loading.	9.75
3	Conveyor and stackers – 2 Nos. for stacking @ 1600 TPH	42.75
4	Reclaiming and wagon loading @ 1050 TPH	28.50
5	Inmotion Electronic weighment	5.00
6	Sampling system	2.00
7	Other services – leveling, labeling and photographing	7.50
	Total:	**159.50**

Note: Integrated terminal services covering all the items of services specified in 4.5 above shall be provided at a composite rate of ₹140.00.

4.6. Tarpaulin coverage charges:

Description	Rate per tonne or part thereof
All cargoes handled except cargoes delivered from hook point	₹5.00

Note: Weight recorded at VSPL weighbridges shall be the final and conclusive for determining the tons of cargo dispatched and received in the terminal.

SECTION - 5

CHARGES FOR OTHER SERVICES

5.1. Visitor Entry Pass:

	Yearly	Monthly	Daily
(a) Per Application	₹200	₹50	₹20
(b) Per Replacement	₹50	₹50	₹20

5.2. Vehicle Entry Pass (for vehicles other than the vehicles entering the terminal for delivery/dispatch of cargo):

Per Entry ₹75

5.3. Photography:

(i). Film Shooting and Photography ₹5000 per day
(ii). Taking Photographs of Goods Imp/Exp ₹5000 per day
(iii). Taking Photographs of Crews and Others ₹5000 per day
(iv). Videography (related to operational activities) ₹2500 per day

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SUMMARY OF THE ARGUMENTS MADE IN THIS CASE DURING THE JOINT HEARING BEFORE THE AUTHORITY

F.No. TAMP/19/2017-VSPL - Proposal from the Vizag Seaport Private Limited for general revision of its Scale of Rates for the vessels handled by it at berths EQ-8 and EQ-9 at the Visakhapatnam Port Trust.

A joint hearing in this case was held on 26 April 2017 at the Visakhapatnam Port Trust (VPT) premises. The Vizag Seaport Private Limited (VSPL) made a brief power point presentation of its proposal. Hard copy of the power point presentation is furnished by VSPL. At the joint hearing, the VSPL, VPT and the concerned users/ organisation bodies have made the following submissions:

Vizag Seaport Private Limited (VSPL)

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

(ii). We have completed 15½ years of the Concession Agreement. We have only 14½ years left in the Concession Agreement.

(iii). Our proposal is very simple. No increase proposed except in wharfage rate, shore handling charges, dust suppression charges.

(iv). At the end of 15^{th} year, at 16% ROCE which we are entitled to, we should have earned ROCE of ₹181.36 crores. Against that, we have earned only ₹21.63 crores from 2001-02 to 2016-17. We are shortfall to the tune of ₹159.73 crores for the said period.

(v). Capital employed has remained almost at the same level since inception. We did not have much scope for making investment.

(vi). The only capital cost incurred is in strengthening of berth. We have strengthened the complete stretch of Berth 9.

(vii). Apart from strengthening of berth no 9, we have incurred capital expenditure on capital dredging. We have completed berth front dredging to 16.10 mtrs.

(viii). We had proposed to develop storage yard in last tariff revision. This has not materialised because of the traffic did not come at the level projected.

(ix). No users are willing to pay the rate approved by TAMP. Users interpret that the TAMP rates are ceiling rates and hence demand discounts in the rates. In Vizag, we have stiff competition from neighboring ports and hence we have to offer discount.

(x). We appreciate the port's effort to increase the draft to enable vessel with arrival draft to 14.5 mtrs to call the port. This will be a game changer.

(xi). The performance in the last tariff cycle particularly years 2014-15 and 2015-16 did not materialize at the level projected. In 2016-17, fully laden panamax vessels have called the terminal and our performance has improved.

(xii). Delay in completion of dredging and delay in allotment of land by VPT has impacted our performance in the last tariff cycle.

(xiii). No investment is proposed in the current tariff cycle except ₹5 crores.

(xiv). There is going to be increasing competition from Gangavaram, Paradip and Dhamra Ports. Further, PPP projects of VPT at other berths are also likely to commence operations. This will impact our traffic.

(xv). Iron ore customers of Gangavaram port are coming to our berth which is a ray of hope.

(xvi). No increase proposed in berth hire. We have made wharfage rate at par with VPT by increasing the existing rates. No increase is proposed in demurrage and storage charges. Though we will be hit by revised lease rent, we do not propose to increase storage charge in view of stiff competition from neighboring ports. No change is proposed in hire charge of HMC and Stevedoring Charges. Shore handling charges are proposed to be increased from existing ₹45 to ₹65/ tonne.

(xvii). We are offering 60 days free period. Some are asking 90 days referring to Gangavaram.

(xviii). We have withdrawn existing rate of ₹3.2/ tonne towards railway siding charges as no user is paying this rate.

(xix). We propose to introduce charges for covering cargo with Tarpaulin coverage at ₹5/ tonne.

(xx). We have surrendered land beyond 10 acres of land to VPT.

(xxi). Cement companies are paying full rate as they demand delivery at their weigh bridge. Our major user SAIL does not pay TAMP approved rate. We have to offer discounts to them.

Steel Authority of India Limited (SAIL)

(i). SAIL cargo is handled at two berths at VPT and one berth at Gangavaram. VSPL has to be competitive.

Visakhapatnam Port Trust (VPT)

(i). License fee estimated by VSPL is @ 0.90/ sq. mtr./ week as against ₹6.21/ sq. mtr./ week approved by TAMP.

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