

18 May 2006.

Subject: Rate of Return on Capital Employed and Annual Escalation factor for Expenditure projections allowable for the Major Ports and Private terminals operating thereat, for the financial year 2006-07.

Clause 2.9.2 of the revised tariff guidelines requires this Authority to review the rate of ROCE in April every year, in the light of changes in the key parameters. Accordingly, a review of the existing rate of ROCE was undertaken based on the updated value of the concerned parameters obtained from CRISIL Advisory Services. The review of ROCE revealed that the variance is less than 1%.

2. Since the variance is less than 1% the existing maximum permissible ROCE of 15% will continue to be applied in all tariff cases of major ports and private terminals, to be decided in the financial year 2006-07.

3.1. Clause 2.5.1 of the revised 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 Ministry of Finance, Government of India.

3.2. The average inflation rate for the financial year 2005-06 was ascertained from the Ministry of Finance, Government of India. Accordingly escalation factor of 4.50% will be considered for the expenditure projections in the cost statements to be considered in the tariff cases to be decided during the year 2006 – 07.