

(Published in Part - III Section 4 of the Gazette of India, Extraordinary)  
**TARIFF AUTHORITY FOR MAJOR PORTS**

G.No.71

New Delhi,

19 February 2019

**NOTIFICATION**

In exercise of the powers conferred under Sections 48 of the Major Port Trusts Act, 1963 (38 of 1963), the Tariff Authority for Major Ports hereby disposes of the proposal of the Deendayal Port Trust (DPT) for fixation of tariff for automated bagging and rake loading facility for fertilizers at godown no.34 inside cargo jetty area of DPT, as in the Order appended hereto.

**(T.S. Balasubramanian)**  
Member (Finance)

**Tariff Authority for Major Ports**  
**Case No.TAMP/33/2018-DPT**

Deendayal Port Trust

- - -

Applicant

**QUORUM**

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

**O R D E R**

(Passed on this 18<sup>th</sup> day of January 2019)

This case relates to the proposal received from Deendayal Port Trust (DPT) vide its letter dated 25 April 2018 seeking approval of tariff for automated bagging and rake loading of fertilizers at godown no.34 inside cargo jetty area of DPT.

2.1. This Authority had vide its Order No.TAMP/18/2016-KPT dated 21 June 2016 disposed of the proposal of DPT for general revision of its Scale of Rates. The revised SOR and Performance Standards approved by this Authority vide Order dated 21 June 2016, was notified in the Gazette of India vide Gazette No.287 dated 12 July 2016. Subsequently, a speaking order was notified in the Gazette of India vide Gazette No.319 dated 10 August 2016. The SOR came into force after expiry of 30 days from the date of notification of the Scale of Rates and Performance Standards in the Gazette of India i.e.11 August 2016. The validity of SOR is prescribed till 31 March 2019.

2.2. In the above backdrop, the DPT has now filed a proposal seeking approval of tariff for automated bagging and rake loading of fertilizers at godown no.34 inside cargo jetty area of DPT. The main points made by DPT are summarized below:

- (i). The proposal seeks the approval of the tariff to be charged by DPT from the users of the subject facility at Kandla. As approved by the Board of Trustees of DPT in its meeting held on 28 March 2017, the Letter of Acceptance (LoA) for the subject work has been placed on M/s. Rishi Shipping, Gandhidham, for execution of the subject work on Engineering, Procurement and Construction (EPC) mode alongwith its Operation and Maintenance (O&M) for a period of 8 years.
- (ii). Under the existing contract, the contractor will set up the proposed facility on EPC mode at the Port's godown no.34 and operate and maintain it for a period of 8 years from the date of commissioning of the project. DPT will be incurring the cost of setting up of the entire facility and once the project is commissioned, the contractor will be paid the "Operation and Maintenance service charges" for the cargo handled by the contractor through the proposed facility on per tonne basis. The rate quoted by the contractor is ₹95/- per tonne + GST, for operation and maintenance of proposed facility. In addition to the above, from the third year onwards, DPT will be paying the contractor a fixed amount of ₹2.00 lakh per month as the maintenance charges of the facility.
- (iii). As per the tender conditions / proposal, this facility will have to be used by the fertilizer importers at Kandla, for which the users will be charged as per the tariff approved by TAMP.
- (iv). The proposed facility will have 20 nos. of bagging and stitching units. Fertilizer shall be packed in neat and clean 50 kgs. bags. In order to recover this expenditure, it is proposed to fix a tariff, which the users will have to pay to DPT for using this facility.

- (v). The tariff has been calculated based on the contract price quoted by M/s. RISHI Shipping for Automated bagging and Mechanised Rake loading facility for Fertilizer at Kandla including O & M for 8 years and the capital expenditure incurred by DPT towards the construction of Godown in line with the Tariff Guidelines.
- (vi). As per the detailed calculation sheet, the tariff for handling of fertilizers is worked at ₹164.29 per ton (Foreign). It is to mention that as there is no coastal movement of fertilizer cargo, the coastal rate has not been calculated. The proposed tariff and conditionalities of the proposed facility are listed out.
- (vii). The above proposal has been approved by Chairman and the same shall be placed before the Board in the next Board Meeting.
- (viii). TAMP is empowered to approve the rates as per para 9.2 of the notification No.TAMP/21/2009-WS dated 21 January 2015 notifying the Working Guidelines to operationalize the Tariff Policy 2015.
- (ix). The proposed facility has been erected and is ready for trials and tests. As soon as the trials and tests are conducted, the same will be put into commercial operations.
- (x). In view of the above, the DPT has requested to approve the tariff at 164.29 per tonne (foreign) for the "Automated Bagging and Rake Loading of Fertilizers at Godown no.34 Inside Cargo Jetty Area of DPT" for the proposed facility, pending approval of the proposal by the Board of Trustees of the Deendayal Port. As soon as the Board approves the proposal, the same shall be conveyed to TAMP.
- (xi). The detailed working furnished by DPT in support of the proposed rate is given below:
- (a). Annual Handling Capacity:  
Fertilizers – 1.40 Million tonnes

(b). **Capital Cost:**

(in ₹)

Sr. No.	Particulars		Amount
(i)	Civil Works (Cost of shed in 2013 ₹36.00 crores. Depreciation @ 3.17% under SLM for the years 2013, 2014, 2015 and 2016 and considered at ₹32,57,64,000.00)		32,57,64,000.00
(ii)	Mechanical Works		
	(a). Receiving hoppers, Primary and Secondary Conveyor		
	(i). Receiving Hoppers (Nos.20)	1,18,12,500.00	
	(ii). Intermediate Conveyor (Nos.20)	2,12,62,500.00	
	(iii). Other work (Nos.20)	23,00,000.00	
	(b). Semi-Automatic bagging and stitching machines		
	(i). Semi-Automatic bagging and stitching machines comprising of surge hopper, gravity feeder, electronic net weigher, microprocessor based electronic controller, discharge chutes, local control panel, bag holder, stitching needle, sealer, slat conveyor, bag turner, bag loading spouts etc.	4,41,78,750.00	
	(ii). Horizontal flat belt conveyor with wagon loaders complete in all respects along with all necessary structural, electrical and control works as required	2,98,62,000.00	
	Sub total	10,94,15,750.00	
	Less: Discount offered after negotiation	30,00,000.00	
	Sub total	10,64,15,750.00	10,64,10,000.00
(iii)	Electrical works and utilities	3,54,37,500.00	3,54,40,000.00

	(Electrical control works comprise of cables, cable trays and accessories, transformers (Dry Type), Power Distribution system which include 415V PCC panels, capacitors panel and distribution boards earthing)		
	<b>Total Capital Cost</b>		<b>46,76,14,000.00</b>

(c). **Operating cost:**

(in ₹)

Sr. No.	Particulars	Amount
(i)	Operation & Maintenance cost (₹95/ tonne X 1.4 MTPA)	13,30,00,000.00
(ii)	Fixed maintenance charges * (₹2 lakhs p.m. X 12 months)	24,00,000.00
(iii)	Insurance at 1% on Capital cost	46,76,140.00
(iv)	Depreciation: (1.90% on Civil Item-Godown)	61,89,516.00
(v)	Depreciation: (6.33% on Elect. & Mech. Items-Plant)	89,79,105.00
	<b>Total Operating Cost</b>	<b>15,52,44,761.00</b>

\* Post completion of the guarantee period of 2 years, the contractor shall be eligible to receive minimum guaranteed payment of ₹24 lakhs per year towards maintenance charges (hereafter defined as "Minimum Guaranteed Payment") which shall be paid on monthly basis in addition of the payment for the operation and comprehensive maintenance services.

(xix). The return on capital employed is estimated at 16%.

(xx). Accordingly, the revenue requirement estimated by DPT is as follows:

(a). Annual Revenue Requirement:

(₹ in crores)

Sl. No.	Particulars	Amount
(i)	<b>Return on Capital employed @ 16%</b> (16% of ₹46,76,14,000)	7.48
(ii)	<b>Estimated Annual Revenue Requirement:</b>	
(iii)	(a). Total Operating Cost	15.52
(iv)	(b). Return on Capital Employed	7.48
(v)	(c). Total Revenue Requirement	<b>23.00</b>

(b). Apportionment of Revenue Requirement:

(in ₹)

Particulars	Amount
(a). Total Annual Requirement (in crores)	23.00
(b). Capacity in tonnes	1400000
(c). Cost per MT	
(i) Foreign	<b>164.29</b>

2.3. The Schedule of charges proposed by the DPT alongwith conditionalities are as follows:

**Schedule of charges for using the Automated Bagging and Rake Loading of Fertilizers at Godown No.34 inside Cargo Jetty area of DPT:**

Sr. No.	Description	Unit	Foreign Rates (in ₹)
1	Hire charges of mechanized bagging and rake loading facility at Kandla Port	M.T.	164.29

Notes:

- (i). The use of this facility will be mandatory for all users handling fertilizers in Deendayal Port at cargo berth no.1 to 10;
- (ii). If the facility is not available for any reason such as being non-operational, being pre-occupied etc., DPT is permit the users to avail other facilities within or outside the Port. Such permission will be issued by TM, DPT.
- (iii). The usage of this facility will be coordinated by the Traffic Department of DPT.
- (iv). Following Operational requirement will be followed at the facility.
  - (a). Fertilizer shall be packed in neat and clean 50 kgs bags. Weight variation will not be more than  $\pm 50$  grams in any bag.
  - (b). The importer or his agent shall bring the cargo to Shed No.34 in such condition that the material can be directly bagged.
  - (c). In case of Urea, the neem coating shall be done by the importer or his agent and brought to Shed No.34 ready for bagging. The conformance of the neem coating of urea to relevant FCO norms is the responsibility of the importer or his agent including sampling and testing. Only bagging operation will be carried out at this facility.
  - (d). After loading bagged cargo into rake and after the operator has shifted the remaining / left over cargo of the bulk fertilizer and stored in the nearest spare area, it will be responsibility of the importer or his agent to lift the remaining / leftover cargo from the Godown no.34.
  - (e). The total turnaround time of the rake from hauling of rake to take – off from the loading point is envisaged to be 6 hours including the loading time, pre & post loading operation and all other miscellaneous activities. The time of 6 hours shall start from the time of placement of rake alongside Shed No.34 or availability of sufficient cargo for bagging and loading in the rake, whichever is later. The pre and post loading activities are to be completed within the allowable loading time (i.e.) 6 hours. (Hereafter defined as “Allowable Loading Time”) The pre and post loading activities include opening of wagon doors, cleaning of wagons floors, spreading of dunnage, closing of wagon doors, counting of bags by the surveyor before closing the wagon doors etc. The allowable loading time does not include hauling of rake, positioning of wagons.
  - (f). Carting of bulk fertilizer to rake loading shed in readily baggable form is the responsibility of the importer or his agent.
  - (g). The requisitioning of the rake, placement of the rakes and its removal / dispatch will be the responsibility of the importer or his agent.
  - (h). The importer or his agent will have to co-ordinate the placement / movement / removal of the rakes at this facility in co-ordination & with the permission of the Traffic Department, DPT.
  - (i). The empty bags required for the bagging of the cargo of the importer or his agent will have to be provided to the operator of the facility by the importer or his agent along with the cargo brought by the importer or his agent.

3. The DPT vide its letter dated 5 June 2018 has forwarded a copy of the approval of the Board of Trustees of DPT, vide Board Resolution no.14 dated 04 May 2018 on the tariff proposal for automated bagging and rake loading of fertilizers at godown no.34 inside cargo jetty area of DPT.

4. In accordance with the consultative procedure prescribed, a copy of the proposal of DPT dated 24 April 2018 was forwarded vide our letter dated 08 May 2018 to the concerned users/

user organisations including the EPC and O & M contractor (Rishi Shipping) seeking their comments. We have not received any comments from any user / user organisation except from M/s. Rishi Shipping vide its emails dated 16 May 2018 and dated 20 May 2018. The comments received from M/s. Rishi Shipping were forwarded to the DPT as feedback information. The DPT has furnished its comments vide its letter dated 05 June 2018.

5. Based on the preliminary scrutiny of the proposal, the DPT was requested vide our letter dated 21 June 2018 to furnish additional information / clarifications at the earliest. After reminders dated 13 July 2018, 4 September 2018 and 28 September 2018, the DPT vide its letter dated 18 October 2018 and 24 October 2018 has furnished additional information/ clarification sought by us. A summary of the additional information/ clarifications sought by us and reply furnished by DPT thereon is tabulated below:

Sl. No.	Information/ clarifications sought by us	Reply furnished by DPT																																	
(i).	<b>Annual Handling Capacity:</b>																																		
(a).	There are no norms prescribed in the upfront tariff guidelines for bagging and rake loading service. The DPT has considered Annual Handling Capacity at 1.40 MTPA. The proposal of the port does not furnish detail calculation of Annual Handling Capacity. In the power point presentation of the proposal made at the joint hearing, the DPT has furnished the working of annual handling capacity of 1.40 MTPA i.e. capacity of one rake of 3480 tones x average no. of rakes estimated to be handled at NG-34 at 1.5 rakes/day x no. of operational days in a year i.e.275 days. The DPT to furnish the basis of this handling rate considered at 3480 tonnes per rake in the annual capacity calculation and justify it with reference to the technical specification of the bagging plant.	<p>The norms for bagging and rake loading service have been included in the conditionalities of the tariff.</p> <table border="1"> <tr> <td>BCN HL rake of</td> <td>58</td> <td>Wagons</td> </tr> <tr> <td>Per wagon</td> <td>60</td> <td>MT</td> </tr> <tr> <td>Total Tons per wagon</td> <td>3480</td> <td>MT</td> </tr> <tr> <td>Rake turnaround time</td> <td>6</td> <td>hrs. / rake</td> </tr> <tr> <td>Operating hrs. per day</td> <td>20</td> <td>hrs.</td> </tr> <tr> <td>Per day rakes handled</td> <td>3</td> <td></td> </tr> <tr> <td>Total cargo which can be handled per day</td> <td>10440</td> <td>Rakes</td> </tr> <tr> <td>Total mandays in a year</td> <td>275</td> <td>MT</td> </tr> <tr> <td>Total cargo handled in a year</td> <td>2871000</td> <td>Days</td> </tr> <tr> <td>Cargo which can be handled looking to dwell time and rake availability</td> <td>1435500</td> <td>MT</td> </tr> <tr> <td>say</td> <td>1400000</td> <td>MT</td> </tr> </table> <p>The Traffic Department was of the opinion that the project / operation of the plant involved multiple agencies such as the importer/s, the contractor operating the bagging plant, Railway Department for placing of the rake etc. and multiple variants of cargoes to be handled, due to which it may not be possible to handle the entire cargo, through this proposed bagging plant. Looking to the above, and in view of the trend of cargo being handled in the calendar year 2016, it was opined by the Traffic Department that the cargo throughput per annum, for this plant, may be around 1.4 MTPA.</p>	BCN HL rake of	58	Wagons	Per wagon	60	MT	Total Tons per wagon	3480	MT	Rake turnaround time	6	hrs. / rake	Operating hrs. per day	20	hrs.	Per day rakes handled	3		Total cargo which can be handled per day	10440	Rakes	Total mandays in a year	275	MT	Total cargo handled in a year	2871000	Days	Cargo which can be handled looking to dwell time and rake availability	1435500	MT	say	1400000	MT
BCN HL rake of	58	Wagons																																	
Per wagon	60	MT																																	
Total Tons per wagon	3480	MT																																	
Rake turnaround time	6	hrs. / rake																																	
Operating hrs. per day	20	hrs.																																	
Per day rakes handled	3																																		
Total cargo which can be handled per day	10440	Rakes																																	
Total mandays in a year	275	MT																																	
Total cargo handled in a year	2871000	Days																																	
Cargo which can be handled looking to dwell time and rake availability	1435500	MT																																	
say	1400000	MT																																	
(b).	As per 2008 norms, optimal capacity will be 70% of the total capacity. Accordingly, optimum no. of days that go into calculation of optimal annual capacity is 256 day. As against that DPT has considered 275 days. This works out to 75.34% capacity utilisation as against the prescribed norm of 70%. The DPT to give reasons for estimating capacity utilisation more than 70%.	<p>The optimal capacity specified in the 2008 guidelines pertain to the capacity of the entire terminal. However, in the instant case, this is only a part facility.</p> <p>Further, as explained at para (a) only 50% cargo handling capacity has been considered, due to dwell time considerations.</p>																																	
(ii).	<b>Capital cost estimation:</b>																																		
(a).	Confirm that the estimation of capital cost towards mechanical works and electrical works reflect the prevailing market rate.	The cost of mechanical works and electrical works have been considered as per the actual rates received in the tender for setting up the proposed facility in 2017. Hence, the cost can be treated as the prevailing market value.																																	
(b).	Furnish copies of supporting documents / budgetary Quotations / calculations /	The copy of rates quoted by the bidder is furnished.																																	

	market rate analysis done by the port / Consultant appointed by the port to justify the estimation of the Capital Cost for Mechanical Works and Electrical works and utilities and also give references to the main sheet to co-relate the figures.																
(c).	The capital cost estimate includes WDV of the Godown No. 34 under the head "Civil Works". The DPT would have already considered this item while estimating the ARR for its general revision proposal while allowing 16% ROCE. Confirm consideration of this component will not tantamount to duplication.	In working of ARR for last proposal of General Revision of Scale of rates, 16% ROCE was considered for proposed Godown No. 34. Since validity of prevailing Scale of Rates is till 31.03.2019 and revision is due from 01.04.19, hence, capital cost of Godown No.34 and its 16% ROCE thereof, shall be excluded while estimating ARR in the next General revision of Scale of Rates of DPT.															
(iii).	<b>Operating cost estimation:</b>																
(a).	The estimate by DPT includes ₹24 lakhs towards fixed maintenance charges payable by DPT to the contractor towards operation and maintenance of the facility, apart from ₹95 /tonne for operation and maintenance based on the rate quoted by contractor. In this regard, the DPT to furnish information / clarification on the following points: As per the proposal of DPT ₹2 lakh per month is payable by DPT to contractor towards operation and maintenance of mechanical rake loading facility post completion of 2 years. That being so, the reason for loading this component from the first year itself and where the DPT is not likely to pay this component is not explained in the proposal. The DPT to examine and consider to exclude this component. It is considered for inclusion from third year onwards when it becomes payable by DPT. Incidentally, Rishi Shipping has also made similar observation.	The tariff proposal has been modified accordingly and the revised rate structure has been forwarded to TAMP vide letter No. MS/WK/4025-TAMP/GIM-988 dated 05/10/2018.															
(b).	<b>Depreciation:</b>																
(i).	DPT to confirm the depreciation rate considered is as per the depreciation rate applicable under the Companies Act, 2013.	Yes, the depreciation rates have been considered as per the depreciation rates applicable under the Companies Act, 2013.															
(ii).	Depreciation considered by the Authority in reference tariff fixation is 3.17% for the civil works and 9.5% (3 shifts) for Equipment as per the depreciation rate applicable under Companies Act 2013. The said depreciation is for triple shift operation as per the relevant provision in the Companies Act 2013. The depreciation rate considered by DPT is at 1.9% for Civil item and 6.33% for Mechanized items. The DPT, may therefore, consider to review the estimate of depreciation in the light of the above observation.	The life of the civil structures is 50 years and hence the depreciation of godown has been considered as 1.90%, with 5% scrap value. Similarly, the life of the mechanical / electrical item is 15 years and accordingly, the depreciation has been considered as 6.33%, with 5% scrap value, as the facility will not be running for the 3 shifts daily due to the limitation of rake availability.															
(iv).	<b>Scale of Rates:</b>																
(a).	<b>Note No.1:</b>																
(i).	The actual fertilizer traffic handled by DPT for the years 2016-17 and 2017-18 may be furnished. Also furnish projection for the year 2018-19.	The actual fertilizer traffic handled by DPT for the year 2016-17 and 2017-18 and the projection for the year 2018-19 is furnished as under:															
		<table border="1"> <thead> <tr> <th colspan="5">Actual Fertilizers Handled by DPT</th> </tr> <tr> <th>Year</th> <th>Finished</th> <th>Raw</th> <th>Total</th> <th>In MMTPA</th> </tr> </thead> <tbody> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table>	Actual Fertilizers Handled by DPT					Year	Finished	Raw	Total	In MMTPA					
Actual Fertilizers Handled by DPT																	
Year	Finished	Raw	Total	In MMTPA													

		2010-11	5,806,780	582,767	6,389,547	6.39
		2011-12	5,297,166	761,040	6,058,206	6.06
		2012-13	3,677,966	945,810	4,623,776	4.62
		2013-14	2,643,503	991,391	3,634,894	3.63
		2014-15	3,846,922	655,378	4,502,300	4.50
		2015-16	4,361,990	169,869	4,531,859	4.53
		2016-17	3,349,611	306,117	3,655,728	3.66
		2017-18	3,561,591	141,550	3,703,141	3.70
		<b>Year</b>	<b>Projected Fertilizer Cargo (MMT)</b>	<b>Remarks</b>		
		2018-19	3.27	As per DPT		
		2019-20	5.85	As per M/s. HOWE		
		2020-21	6.99	Engineering Projects (I)		
		2025-26	7.43	Pvt. Ltd., the		
		2030-31	7.89	consultants for this		
		2035-36	8.37	project.		
		2040-41	8.88			
		2045-46	9.43			
(ii).	With reference to the proposed note 1 stating that use of this facility is mandatory for all users handling fertilizers in Deendayal Port at Berth No. 1 to 10, the DPT to confirm whether the optimal capacity envisaged by DPT matches with the fertilizer traffic anticipated for the year 2018-19.	The fertilizer traffic anticipated for the year 2018-19 is furnished. The optimal capacity of the proposed facility is 1.40 MMTPA. However, it is to clarify that the excess cargo can be handled in any of the other similar facilities existing in and around the port. In the proposed conditionalities for this facility, DPT has provided the flexibility of allowing the importers / users to use other similar facilities in and outside the port, when the proposed facility is non-operational or pre-occupied or when there is constraint in availability of rakes inside railway terminal in DPT.				
(iii).	Since the facility is envisaged at Godown No. 34, the DPT to confirm whether the entire fertilizer cargo handled by DPT at Berth Nos. 1 to 10 will be stacked at Godown No.34.	No. As per the existing practice, the importers will have to unload the cargo from the ships and store it in the storage facilities available in the Port. Only when the cargo is to be loaded onto the rakes, the importer will bring the cargo to Godown No.34 as decided by Traffic Manager which will be bagged and loaded on to the rake placed alongside the NG-34. This facility will be used for only bagging and rake loading and not for permanent storage of cargo. Once the rake loading of the importer is completed, it is the responsibility of the importer to lift the balance fertilizer cargo from NG-34.				
(iv).	At the joint hearing, Rishi Shipping has objected the proposed note citing rake availability as constraint and had objected the proposed rate. The DPT may, therefore, examine the proposed note no.1.	This issue has already been addressed in the clarifications offered in letter No.MS/WK/4025-TAMP/GIM-988 dated 05/10/2018.				
(a).	The proposed note no. 2 to be elaborated to cover other reasons as well when the proposed facility may not be available for bagging and rake loading.	This issue has already been addressed in the clarifications offered in letter No.MS/WK/4025-TAMP/GIM-988 dated 05/10/2018.				
(b).	The proposed note No. 3 is not a tariff related matter and hence the DPT may consider to exclude the same.	Accordingly, the revised SOR is attached. [In the revised proposed Schedule of charges note 3 proposed earlier is deleted].				
(c).	The note no. (a) to (i) under note no. 4 pertain to operational matters as stated in note No. 4. Since these are not related to tariff, the note proposed therein may not form part of schedule to be notified by TAMP.	Accordingly, the revised proposal is attached herewith. [Notes 4 (a) to (i) are deleted in the revised in the revised proposed schedule of charges].				



(v).	The Annual Revenue Requirement (ARR) considered by the Authority in General Revision of SOR of DPT approved vide Order No.TAMP/18/2016- KPT dated 21 June 2016 is ₹84,251.84 lakhs and the revenue estimated at the SOR approved in the said Order is ₹83,551.58 lakhs. The differential of ₹700.26 lakhs (₹84,251.84 lakhs less ₹83,551.58 lakhs) was left uncovered by the Authority which the port was to take care from the tariff items and conditionalities for which the DPT could not capture the revenue impact at that point of time. The DPT to assess additional revenue from the proposed automated bagging and rake loading of fertilizers and confirm that annual estimated revenue will be within the differential ARR ₹700.26 lakhs left uncovered in the last tariff Order and also confirm that the total revenue is expected to be within total estimated ARR of ₹84,251.84 lakhs.	The additional revenue considering 16% ROCE is ₹.7.12 Crs. till the approval of proposed tariff, considering balance period of 6 months for the current financial year, the half year revenue is ₹.3.56 Crs. and also taking into consideration the financial implication of proposed rates for Tuna of ₹.1.29 Crs. net additional revenue is of ₹.2.27 Crs (₹.3.36 Crs- ₹.1.29 Crs) and is within the differential ARR of ₹700.3 lakhs uncovered in last Tariff Order. It is confirmed that total revenue is expected to be within total estimated ARR of ₹.842.52 Crs.
------	--	--

6. A joint hearing in this case was held on 11 June 2018 at the DPT premises. The DPT made a brief power point presentation of its proposal. At the joint hearing, the DPT and the concerned users/ user organizations have made their submissions.

7. As agreed at the joint hearing, the DPT was requested to take action on the following points and furnish additional information / clarification, which were communicated to DPT vide our letter dated 21 June 2018:

- (i). (a). At the joint hearing, Rishi Shipping has objected the first note proposed by the Deendayal Port Trust (DPT) about mandatory use of the proposed facility by all users handling fertiliser in DPT at cargo berth nos.1 to 10, citing the constraint in availability of rake inside the railway terminal in DPT. Rishi Shipping has also pointed out that the fixed maintenance charges of ₹2 lakh per month payable by DPT to contractor for operation and maintenance of the facility is from third year onwards. Hence, Rishi Shipping contended that this component to be excluded from the rate calculation.
- (b). In this regard, as agreed at the joint hearing, the port to review its proposal in view of the points made by Rishi Shipping and forward a copy of revised proposal to the stakeholders (as intimated to DPT vide our letter of even number dated 08 May 2018) and to TAMP in ten days' time i.e. by 21 June 2018.

8.1. With reference to action points arising out of the joint hearing proceeding, the DPT has furnished its reply vide its letter dated 5 October 2018 as summarised below:

- (i). During the said joint hearing, as per the suggestion by the port users, it was discussed that DPT is not paying fixed monthly maintenance charges of ₹2 lacs to the facility operator for first two years for the Automated Bagging and Rake Loading facility for Fertilizer at Godown No.34, New Kandla. Therefore, the same is not be considered for the tariff calculation of first two years.
- (ii). It was suggested that the Port may consider having different rates, for first 2 years, by excluding the fixed maintenance charges and for third year onwards, by including the fixed maintenance charges.

- (iii). Accordingly, the revised rates are worked out @ ₹158.86 per ton (foreign) for the “Automated Bagging and Rake Loading of Fertilizers at Godown No. 34 inside Cargo Jetty Area of Deendayal Port Trust” during the first 2 years of the commencement of operation and ₹160.57 per ton (foreign) from third year onwards from the commencement of operation for the proposed facility.

[The DPT has given revised cost calculation in this regard which is brought out in subsequent paragraphs].

- (iv). Moreover, during the said hearing, M/s. Rishi Shipping have objected the conditionality of DPT about the mandatory use of the proposed facility by all users handling fertilizers in DPT at cargo berth no.1 to 10, citing the constraint in availability of rake inside the railway terminal in DPT. In this connection, it is to inform that it has already been clarified in the earlier letter of DPT dated 05.06.2018 that:

- (a). The Port is investing an amount of ₹44.52 Crores (incl. the cost of Godown) in this project. In order to make the project viable it is mandatory that this project is utilized to the fullest capacity.

- (b). Moreover, in the conditionalities it has been proposed that:

“2. If the facility is not available for any reason such as being non-operational, being pre-occupied etc., DPT is permit the users to avail other facilities within or outside the Port. Such permission will be issued by TM, DPT”.

Looking to both (a) & (b) above, it can be seen that even though the full usage of the proposed facility is very important for the feasibility of the project, DPT has been reasonable enough by providing the flexibility of allowing the imports / users to use other similar facilities in and outside the port, when the proposed facility is non-operational or pre-occupied or when there is constraint in availability of rakes inside railway terminal in DPT. Hence, the objection of M/s. RISHI Shipping is unjustified.

In view of the above TAMP is requested to approve the tariff of ₹158.86 per ton (foreign) for the first 2 years from the commencement of the operations and tariff of ₹160.57 per ton (foreign) from third year onwards for the “Automated Bagging and Rake Loading of Fertilizers at Godown No. 34 inside Cargo Jetty Area of Deendayal Port Trust”.

- 8.2. (i). The DPT has also furnished revised working separately for first 2 years and from 3<sup>rd</sup> year onwards in support of revised rate proposed by DPT flowing from the point made by M/s. Rishi Shipping and information / clarification sought by TAMP. The highlights of the revised working is given below:

- (a). Annual Handling Capacity of Fertilizers is maintained at 1.40 Million tonnes as in the original proposal.

- (b). Capital Cost estimate is revised by DPT excluding the GST component. Revised estimates of capital cost is given below:

(in ₹)

Sr. No.	Particulars		Amount
(i)	Civil Works (Cost of shed in 2013 ₹38,67,76,33.00. Depreciation @ 3.17% under SLM for the years 2013, 2014, 2015, 2016, 2017 and 2018 and considered at ₹32,57,64,000.00)		32,54,72,284
(ii)	Mechanical Works		
(a).	Receiving hoppers, Primary and Secondary Conveyor		
	(i). Receiving Hoppers (Nos.20)	1,00,00,000	
	(ii). Intermediate Conveyor (Nos.20)	1,80,00,000	

	(iii). Other work (Nos.20)	20,00,000	
(b).	Semi-Automatic bagging and stitching machines		
	(i). Semi-Automatic bagging and stitching machines comprising of surge hopper, gravity feeder, electronic net weigher, microprocessor based electronic controller, discharge chutes, local control panel, bag holder, stitching needle, sealer, slat conveyor, bag turner, bag loading spouts etc.	3,74,00,000	
	(ii). Horizontal flat belt conveyor with wagon loaders complete in all respects along with all necessary structural, electrical and control works as required	2,52,80,000	
	Sub total	9,26,80,000	
	Less: Discount offered after negotiation	30,00,000	8,96,80,000
(iii)	Electrical works and utilities (Electrical control works comprise of cables, cable trays and accessories, transformers (Dry Type), Power Distribution system which include 415V PCC panels, capacitors panel and distribution boards earthing)		3,00,00,000
	<b>Total Capital Cost</b>		<b>44,51,52,284</b>
	<b>Total Capital Cost (₹. in Cr.)</b>		<b>44.52</b>

(c). Modified Operating cost and ARR consideration 16% ROCE and proposed rate:

(in ₹)

Sr. No.	Particulars	For first 2 years from the date of commencement of work estimate	For 3 <sup>rd</sup> year onwards from commencement of work estimate.
<b>A.</b>	<b>Total Operating Cost</b>		
(i)	Operation & Maintenance cost (₹95/ tonne X 1.4 MTPA)	13,30,00,000.00	13,30,00,000.00
(ii)	Fixed maintenance charges * (₹2 lakhs p.m. X 12 months)	NIL	24,00,000.00 *
(iii)	Insurance at 1% on Capital cost	44,51,522.84	44,51,522.84
(iv)	Depreciation: (1.90% on Civil Item-Godown)	61,83,973.40	61,83,973.40
(v)	Depreciation: (6.33% on Elect. & Mech. Items-Plant)	75,75,744.00	75,75,744.00
	<b>Total Operating Cost</b>	<b>15,12,11,240.24</b>	<b>15,36,11,240.24</b>
	<b>Total O.C. (₹. in Cr.)</b>	<b>15.12</b>	<b>15.36</b>
<b>B.</b>	Annual Revenue Requirement		
	<b>Return on Capital employed @ 16%</b> (16% of ₹44,51,52,284.22)	7.12	7.12
	<b>Estimated Annual Revenue Requirement:</b>		
	(a). Total Operating Cost	15.12	15.36
	(b). Return on Capital Employed	7.12	7.12
	(c). Total Revenue Requirement	<b>22.24</b>	<b>22.48</b>
<b>C.</b>	Apportionment of Revenue Requirement		
	(a). Total Annual Revenue Requirement (in crores)	22.24	22.48
	(b). Capacity in tonnes	1400000	1400000
	(c). Cost per MT		
	(i) Foreign	<b>158.86</b>	<b>160.57</b>

\* Post completion of the guarantee period of 2 years, the contractor shall be eligible to receive minimum guaranteed payment of ₹24 lakhs per year towards maintenance charges (hereafter defined as “Minimum Guaranteed Payment”) which shall be paid on monthly basis in addition of the payment for the operation and comprehensive maintenance services.

- (iv). Accordingly, the revised schedule of charges furnished by DPT vide its letter dated 18 October 2018 is as follows:

**Schedule of charges for using the Automated Bagging and Rake Loading of Fertilizers at Godown No.34 inside Cargo Jetty area of DPT:**

Sr. No.	Description	Unit	Foreign Rates (in ₹)
1	Hire charges of mechanized bagging and rake loading facility at Deendayal Port for first 2 years from the commencement of work.	M.T.	158.86
2	Hire charges of mechanized bagging and rake loading facility at Deendayal Port for from 3 <sup>rd</sup> year onwards of the commencement of work.	M.T.	160.57

Notes:

- (1). The use of this facility will be mandatory for all users handling fertilizers in Deendayal Port at cargo berth no.1 to 10.
- (2). If the facility is not available for any reason such as being non-operational being pre-occupied etc., DPT is permit the users to avail other facilities within or outside the Port. Such permissions will be issued by TM, DPT.
- (3). The norms prescribed for bagging and rake loading service are:
  - (i). Fertilizer shall be packed in neat and clean 50 kgs bags. Weight variation will not be more than  $\pm$  50 grams in any bag.
  - (ii). The total turnaround time of the rake from hauling of rake to take – off from the loading point shall be 6 hours including the loading time, pre & post loading operation and all other miscellaneous activities. The time of 6 hours shall start from the time of placement of rake alongside Shed No.34 or availability of such sufficient cargo for bagging and loading in the rake, whichever is later. The pre and post loading activities are to be completed within the allowable loading time (i.e.) 6 hours ('Allowable Loading Time'). The pre and post loading activities include opening of wagon doors, cleaning of wagons floors, spreading of dunnage, closing of wagon doors, counting of bags by the surveyor before closing the wagon doors etc. The allowable loading time does not include hauling of rake, positioning of wagons.

9. The DPT vide its email dated 24 December 2018 has informed that the port has been collecting the proposed tariff on provisional basis since May 2018. The DPT has requested to approve the tariff w.e.f. 1 May 2018.

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

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

- (i). The proposal of the Deendayal Port Trust (DPT) is to fix tariff for automated bagging and rake loading of fertilizers at godown no.34 inside cargo jetty area(CJA) of DPT

constructed by DPT from internal resources of DPT. This project is mooted by DPT to improve the turnaround time of railway rakes. The proposal of the port envisages installation of 20 number of semi-automatic bagging and stitching units along with required mechanical and civil works done by the DPT from internal resources of the port. The DPT has followed the model of Engineering, Procurement and Construction (EPC) and operation and maintenance by M/s.Rishi shipping of the said facility for a period of eight years.

- (ii). As brought out in the earlier paragraphs, the original proposal dated 25 April 2018 filed by DPT has been revised by the port vide its letter dated 5 October 2018 keeping in view the issues flagged by stakeholder during the consultation process. In the revised proposal based on the information / clarification sought by us and point made by M/s. Rishi Shipping, the DPT has proposed two separate rates; one rate for first two years from commencement of operations and another rate from third year onwards instead of uniform rate for first 3 years. Moreover, the port has reduced the capital cost from ₹46.76 cr. estimated in the original proposal to ₹44.52 crores by excluding the GST component as the port will get input credit of the GST component. The revised cost calculation of the DPT dated 05 October 2018 along with the information/ clarifications furnished by DPT during the processing of the case in reference are considered in this analysis.
- (iii). The port has referred to clause 9.7.2. of the Tariff Policy, 2015 for seeking approval for the proposed rate. Clause 9.7.2 of the Tariff Policy, 2015 relates to regulation of tariff for authorised service provider. In the instant case, the tariff to be fixed by this Authority has been proposed to be levied by the DPT and not by the authorized service provider. The relevant clause in this case is 5.7.1 of the working guidelines notified by this Authority. As per clause 5.7.1 of the working guidelines notified by this Authority, when a tariff for service / cargo is not available in the SOR of the concerned Major Port Trust, the port shall approach this Authority for notification of tariff for the said new cargo / service / facility adopting the tariff and Performance Standards, if any, fixed for comparable cargo / equipment / service in any other Major Port Trust. If there is no tariff prescribed in any Major Port Trust or the rate prescribed is not representative for the cargo/ service/ facility envisaged, the Port Trust may file a proposal with reference to optimal capacity following the principles of 2008 guidelines or based on rated capacity or alternatively under cost plus 16% return formula. Since no tariff for comparable facility is available in the any other Major Port Trusts, the Port has filed the current proposal broadly following the general principles prescribed in the upfront tariff guidelines of 2008 and has proposed norm based tariff.
- (iv). **Optimal Handling Capacity:**
- (a). The cargo proposed to be handled by DPT is fertilizer cargo which is imported by the fertilizer importers at Kandla.
- (b). Considering 58 wagons per rake, and 60 MT of cargo per wagon, the per rake capacity is assessed at 3480 MT (58 wagons x 60 MT per wagon). Another parameter considered is 3 rakes per day considering rake turnaround time of 6 hrs/rake and 20 operating hours per day (20 hrs. /6 hrs.). Applying the productivity for 275 days in a year, the DPT has assessed the handling capacity at 28,71,000 MT per annum (3480 total tons per wagon (MT) x 3 Rakes per day x 275 days). However, citing that there are constraint in dwell time of cargo and rake availability, the DPT has finally considered the annual handling capacity at 50% i.e.14,35,500 MT and rounded it off to 14,00,000 MT (i.e. 1.4 million metric tonnes).

As per norms prescribed in the Upfront Tariff Guidelines of 2008, optimal capacity is 70% of the total capacity. Accordingly, optimal no. of days that go into calculation of optimal annual capacity is 256 day i.e. 365 days X 70%. As against that, DPT has considered 275 days. This works out to 75.34% capacity utilization as against the prescribed norm of 70%. The DPT has

clarified that the optimal capacity specified in the 2008 guidelines pertains to the capacity of the entire terminal. However, in the instant case, this is only a part facility. Further, the DPT has finally arrived at tariff considering 50% cargo handling capacity per annum taking into consideration constraint in availability of rake.

In view of the clarification of the port, optimal handling capacity as assessed by DPT is considered as 14,00,000 MT per annum (i.e. 1.4 million tonnes per annum).

(v). **Capital Cost:**

The total capital cost is estimated at ₹44.52 crs. which comprises of ₹32.55 crs. towards Civil works, ₹8.97 crs towards Mechanical works and ₹3.00 crs. towards Electrical works.

As regards civil works, the DPT has considered the book value of cost of shed i.e. godown no.34 as on 2013 and depreciated it at 3.17% under straight line method for the year 2013 to 2018 and arrived the net fixed asset value of shed at ₹32.55 crores. The port has confirmed that during the general SOR of the port which is due from 1 April 2019, the port shall exclude the 16% ROCE on this asset. Based on the above clarification and also recognizing that in the last revision the uncovered ARR was to the tune 700.20 lakhs, which would have included return on net fixed asset of the said item, allowing 16% return on depreciated value of this asset for arriving at the tariff for the current facility is not found unreasonable. Hence, the depreciated cost of shed as considered by DPT in arriving at the rate is considered.

The capital cost of mechanical works and electrical works estimated by DPT is substantiated by the port with documentary evidences and hence is considered as estimated by the port

(vi). **Operating costs:**

(a). Operation and Maintenance Cost and Fixed Maintenance Charges:

As stated earlier, the port has engaged Rishi Shipping as outsourced contract for operating and maintaining of the said facility for a period of 8 years after inviting tender. As per the contracted rate, the DPT has estimated the operation and maintenance cost at ₹13.30 Crs. i.e. ₹ 95 per tonne for 1.4 MTPA. Since the estimate is as per the contracted rate, the same is considered.

Apart from that the DPT, has also estimated fixed maintenance cost at 2 lakhs per month from 3<sup>rd</sup> year onwards. Earlier, the DPT had loaded this component from the first year itself. When pointed out that the DPT is not likely to pay this component from the first year, the DPT has modified the proposal proposing two separate tariff rates. The contract entered by DPT states that post completion of guaranteed period of 2 years, the contractor shall be eligible to receive guaranteed payment of ₹24 lakhs per year towards the comprehensive maintenance charges in addition to ₹95/tonne towards operation and maintenance of the facility. This position given by the Port is solely relied upon.

Further, recognising that the tariff originally proposed by DPT captures this cost item and the proposed rate was approved by the Board of Trustees of the DPT and also since the port is collecting the proposed rates provisionally since May 2018 and none of the users have raised any objection on these estimates and it arises from contractual obligation of the Port, the said estimate is considered. The Rishi Shipping is expected to operate the plant for 8 years till the contract period is over. It is, therefore,

necessary for the DPT to ensure that the Rishi Shipping maintains the assets diligently.

The operation and maintenance cost and fixed maintenance cost is considered on the presumption that the DPT has followed the competitive bidding process to engage the outsourced contractor as the port has forwarded the comparative rate chart of the tenderers for operating and maintenance of this facility.

(c). Insurance cost is estimated at 1% of the gross fixed assets, which is in line with the norms prescribed in the guidelines.

(d). Depreciation:

The DPT has computed depreciation for civil structure i.e. cost of shed considering its life as 50 years and accordingly considered the depreciation rate on godown at 1.90% after considered 5% as scrap value. For Mechanical and Electrical items, the DPT has considered useful life as 15 years and accordingly, the depreciation is estimated at 6.33%, after considering 5% as scrap value. The Port has clarified that the facility will not be running for 3 shifts daily due to limitation of rake availability. The DPT has confirmed that the depreciation estimated by Port is in line with the life norms prescribed in the Companies Act, 2013. In view of the above position, the depreciation cost as estimated by DPT at ₹1.38 Crs. is considered.

(e). The total operating cost for the project is ₹15.12 Crs. for first two years from the date of commencement of operations and ₹15.36 Crs. from the third year onwards from commencement of operation.

(vii). As per the above analysis, the cost statement for fixing tariff for automated bagging and rake loading of fertilizers at godown no.34 inside cargo jetty area of DPT submitted by the DPT has been considered as proposed by DPT. A copy of the cost statement is attached as **Annex**.

(viii). The total Annual Revenue Requirement (ARR) works out to ₹22.24 crs. which is an aggregate of operating cost (₹15.12 crs.) and 16% return on capital cost (₹7.12 crs.) for first two years from the date of commencement of operations, and ₹22.48 crs. which is an aggregate of operating cost (₹15.36 crs.) and 16% return on capital cost (₹7.12 crs.) from the third year onwards from commencement of operation.

Considering the estimated ARR of ₹22.24 crs. and the optimal handling of 14,00,000 MT, the rate works out at ₹158.86 per MT for first two years as proposed by the port. From the third year onwards, considering the ARR at ₹22.48 Crs. and the optimal handling of 14,00,000 MT, the rate works out ₹160.57 per MT as proposed by the DPT.

The rate proposed by DPT is approved based on detailed calculation furnished by the Port.

The DPT has estimated the additional revenue from the proposed rate at ₹7.12 Crs. considering ROCE of 16%. Further, considering balance period of 6 months for the current financial year, the Port has estimated revenue for half of the year at ₹3.56 Crs. The Port has confirmed that financial implication of proposed rates is within the differential ARR of ₹700.3 lakhs left uncovered in last Tariff Order. The DPT has confirmed that total revenue is expected to be within total estimated ARR of ₹842.52 Crs.

It is seen that, the Port, while assessing the additional revenue impact has considered the 16% ROCE of ₹7.12 crs only. The revenue impact needs to be assessed for the rate proposed and not only to the extent of ROCE. Revenue at

the rate proposed by DPT and being collected by the port provisionally from May 2018 works out to ₹21.08 Crs. (12,83,333 tonnes proportionately from May 2018 X ₹164.29 / tonnes). The said estimated additional revenue is found to be within the uncovered ARR of ₹700.3 lakhs

- (ix). The DPT has stated that the tariff proposed is for foreign cargo only citing that there is no handling of coastal cargo. The coastal concession as per Coastal Concession Policy of the MOS is applicable for ship to shore transfer and transfer from / to quay to / from storage yard including wharfage. In the instant case, the activity does not fall under ship to shore or shore to yard movement. Hence, coastal concession is not applicable in any way. Since the tariff will be same irrespective of foreign or coastal cargo, this Authority prescribes per tonne rate which shall apply to irrespective of whether it is foreign or coastal cargo instead of restricting the prescription to foreign cargo.
- (x). The DPT has proposed a note no.1 stating that the use of this facility will be mandatory for all users handling fertilizers in Deendayal Port at cargo berth no.1 to 10. M/s Rishi Shipping has objected the proposed note of mandatory use of proposed facility by all the users citing that availability of rake inside the railway terminal in DPT. The Rishi Shipping has further submitted that the fertilizer imported at DPT is around 3.5 MTPA whereas, the proposed bagging facility can cater to 1.4 MTPA only. The DPT does not have capacity to handle entire 3.5 MTPA of fertilizer of the proposed automated bagging plant facility.

In this regard, the port has clarified that the proposed note is in order to make the project viable so that the facility is utilized to the fullest capacity. If the facility is not available for any reason such as being non-operational, being pre-occupied etc., a note no. (2) is already proposed whereby the users shall be permitted by the DPT to avail other facilities within or outside the Port. Thus, the proposed note addresses the point made by Rishi Shipping.

The note no. (1) and (2) as proposed by the DPT are, therefore, approved subject to minor modification in note no.(2). The concluding sentence in note no. (2) states that such permission shall be issued by the "Traffic Manager, DPT" which is replaced with "DPT" as this Authority would like to refrain from giving any discretionary power to any particular official of the port.

- (xi) The DPT has proposed a note no. 3 (a) stating that fertilizer shall be packed in neat and clean 50 kgs. bags. Weight variation will not be more than  $\pm 50$  grams in any bag. The proposed note is approved.
- (xii). The DPT has also proposed note no. 3(b) which states that the total turnaround time of the rake from hauling of rake to take – off from the loading point shall be 6 hours including the loading time, pre & post loading operation and all other miscellaneous activities. The time of 6 hours shall start from the time of placement of rake alongside Shed No.34 or availability of sufficient cargo for bagging and loading in the rake, whichever is later. The pre and post loading activities are to be completed within the allowable loading time (i.e.) 6 hours ('Allowable Loading Time'). The pre and post loading activities include opening of wagon doors, cleaning of wagons floors, spreading of dunnage, closing of wagon doors, counting of bags by the surveyor before closing the wagon doors etc. The allowable loading time does not include hauling of rake, positioning of wagons. The proposed note appears to be clarificatory in nature and hence is approved as proposed by the DPT.
- (xiii). (a). The DPT has intimated that the port is collecting the proposed tariff provisionally from May 2018 and hence has sought approval of the proposed rate from May 2018. It is relevant here to mention that for a new cargo / service / facility for which no tariff is available in the existing SOR of the port, Clause 5.7.3 read with clause 5.7.1 and 5.7.2 of the working guidelines allows the port to levy the proposed rates on an ad hoc basis simultaneously along with filing of its proposal to this Authority. Further,



clause 5.7.5 of the Working Guidelines stipulates that ordinarily the rates to be approved for new cargo / facility shall have prospective effect. The said clause also allows this Authority to recognize the interim rate adopted by the Port in an adhoc manner unless it is found to be excessive requiring some moderation retrospectively.

The port has filed the proposal in April 2018. None of the users have objected the proposed rate reportedly being collected by DPT provisionally since May 2018. In the instant case, the original rate proposed by DPT in April 2018 at ₹164.29/ tonne is revised by DPT. In the revised proposal of October 2018, the port has proposed ₹158.86/ tonne for first 2 years from the commencement of work and ₹160.57/ tonne from third year onwards of the commencement of work which is approved.

The rate approved by this Authority is not found to be varying significantly from the original rate proposed by DPT and being collected provisionally on adhoc basis by the port. This Authority, therefore, ratifies the action of the DPT of collecting the proposed rate from the date of commencement of operation by DPT at the said facility on adhoc basis till the final rates approved by this Authority come into effect. The rates approved by this Authority is given prospective effect after expiry of 30 days from the date of notification of the tariff in the Gazette of India in line with the clause 5.7.5 of the working guidelines.

Since the Operation and Maintenance contract given to Rishi Shipping for operation and maintenance is for eight years and tariff proposed by the DPT is norm based, the rate approved is made coterminus with the Operation and Maintenance contract given by DPT. Since the contracted rate of ₹95/ tonne for operation of the facility is frozen for the contract period, no annual escalation is warranted in the said tariff for the period of the contract. The DPT is, therefore, advised to maintain the rate as prescribed in the current case while filing the proposal for general revision of SOR which is due from 1 April 2019 and the subsequent SOR till the period of contract is over. The DPT is advised to approach this Authority for review of the approved rates in case of significant change in the handling capacity considered for arrived at the proposed rate due to improvement of rake availability.

11.1. In the result, and for the reasons given above, and based on a collective application of mind, this Authority approves the insertion of following rates for automated bagging and rake loading of fertilizers at godown no.34 inside cargo jetty area of DPT as Schedule 11 - Charges for using Automated Bagging and Rake Loading of Fertilizers at Godown No.34 inside Cargo Jetty area of DPT under Chapter IV – Miscellaneous Charges in the existing Scale of Rates of DPT:

**“11. Schedule of charges for using the Automated Bagging and Rake Loading of Fertilizers at Godown No. 34 inside Cargo Jetty area of DPT:**

Sr. No.	Description	UNIT	Rates (in ₹)
1.	Charges of mechanized bagging and rake loading facility at Deendayal Port for first 2 years from the date of implementation of this schedule.	M.T.	158.86
2.	Charges of mechanized bagging and rake loading facility at Deendayal Port from third year onwards after completion of first two years from the date of implementation of this schedule till the period of contract.	M.T.	160.57

Notes:

1. The use of this facility will be mandatory for all users handling fertilizers in Deendayal Port at cargo berth no.1 to 10.

2. If the facility is not available for any reason such as being non-operational being pre-occupied etc., DPT is permit the users to avail other facilities within or outside the Port. Such permissions will be issued by the DPT.
3. The norms prescribed for bagging and rake loading service are:
  - (a). Fertilizer shall be packed in neat and clean 50 kgs bags. Weight variation will not be more than  $\pm$  50 grams in any bag.
  - (b). The total turnaround time of the rake from hauling of rake to take – off from the loading point shall be 6 hours including the loading time, pre & post loading operation and all other miscellaneous activities. The time of 6 hours shall start from the time of placement of rake alongside Shed No.34 or availability of sufficient cargo for bagging and loading in the rake, whichever is later. The pre and post loading activities are to be completed within the allowable loading time (i.e.) 6 hours ('Allowable Loading Time'). The pre and post loading activities include opening of wagon doors, cleaning of wagons floors, spreading of dunnage, closing of wagon doors, counting of bags by the surveyor before closing the wagon doors etc. The allowable loading time does not include hauling of rake, positioning of wagons.
4. The tariff prescribed shall not be eligible for annual escalation during the period of its validity.

11.2. Since the Operation and Maintenance contract given to Rishi Shipping for operation and maintenance is for eight years and tariff proposed by the DPT is norm based, the rate approved is made coterminus with the Operation and Maintenance contract given by DPT. Since the contracted rate for operation of the facility is frozen for the contract period, no annual escalation is warranted in the said tariff for the period of the contract. The DPT is, therefore, advised to maintain the rate as prescribed in the current case while filing the proposal for general revision of SOR which is due from 1 April 2019 and the subsequent SOR till the period of contact is over. The DPT shall approach this Authority for review of the approved rates in case of significant change in the handling capacity considered for arrived at the proposed rate due to improvement of rake availability.

11.3. This Authority ratifies the rate collected by the DPT at the proposed rate from date of commencement of operation of the said facility on adhoc basis till the rates approved by this Authority in this Order come into effect.

11.4. The DPT is directed to insert the approved schedule in its existing SOR suitably.

**(T.S. Balasubramanian)**  
Member (Finance)

**COST STATEMENT FOR FIXATION OF TARIFF FOR AUTOMATED BAGGING AND RAKE LOADING OF FERTILIZERS AT GODOWN NO. 34 INSIDE CARGO JETTY AREA OF DEENDAYAL PORT TRUST**

(Rs. In Crores)

Sr. No.	Particulars	Estimates by DPT in its original proposal dated 25.4.2018	Estimates by DPT in its final revised proposal and considered by TAMP	
			Applicable for 1st 2 years from the date of commencement of operation	Applicable from 3rd year onwards from commencement of operation.
<b>I</b>	<b>Optimal handling capacity</b>			
(i).	No. of Wagons / rake	58	58	58
(ii).	Quantum of cargo / Wagon (in MT)	60	60	60
(iii).	- Total Tons per Rake (MT)	3,480 ( 58 wagons * 60MT)	3480 ( 58 wagons * 60MT)	3480 ( 58 wagons * 60MT)
(iv).	- Rake turnaround time (hrs./rake)	6	6	6
	- Operating hrs. per day (hrs.)	20	20	20
	- Per day rakes (rake)	3	3	3
	- Total cargo which can be handled per day (MT)	10,440	10440	10440
	- Total days in a year (Days)	275	275	275
	- Total cargo capacity in year (MT)	2,871,000 ( 10440 MT * 275 days )	2871000 ( 10440 MT * 275 days )	2871000 ( 10440 MT * 275 days )
	50% of cargo handling capacity considered by DPT, due to dwell time considerations and rake availability issue.	50%	50%	50%
	Hence, fertilizer cargo capacity to avail automated bagging and rake loading facility at Godown No. 34 considered by DPT. (2871000 X 50%)	1435500	1435500	1435500
	<b>Total Optimal handling capacity say (in metric tonnes)</b>	<b>1400000</b>	<b>1400000</b>	<b>1400000</b>
<b>II</b>	<b>Capital Cost</b>			
	<b>Cargo Handling Activity</b>			
(i).	Civil Works (Cost of shed in 2013 Rs. 38,67,76,33.00. Depreciation @ 3.17% under SLM for the year 2013, 2014, 2015, 2016, 2017 and 2018 and considered at Rs. 32,57,64,000.00)	32.58	32.55	32.55
(ii).	Mechanical Works	-	8.97	8.97
(a).	Receiving hoppers, Primary and Secondary Conveyor			
(i).	- Receiving Hoppers (Nos.20)	-	1.00	1.00
(ii).	- Intermediate Conveyor (Nos 20)	-	1.80	1.80
(iii).	- Other Work (Nos. 20)	-	0.20	0.20
(b).	Semi-Automatic bagging and stitching machines			
(i).	-Semi-Automatic bagging and stitching machines comprising of surge hopper, gravity feeder, electronic net weigher, microprocessor based electronic controller, discharge chutes, local control panel, bag holder, stitching needle, sealer, slat conveyor, bag turner, bag loading spouts etc.	-	3.74	3.74
(ii).	- Horizontal flat belt conveyor with wagon loaders complete in all respects along with all necessary structural, electrical and control works as required	-	2.53	2.53
		-	9.27	9.27
(iii).	Less :- Discounts	-	0.30	0.30
	Net Total (b)	10.64	8.97	8.97
(c).	Electrical works and utilities	3.54	3.00	3.00
	<b>Total Capital costs</b>	<b>46.75</b>	<b>44.51</b>	<b>44.51</b>
<b>III</b>	<b>Operating Cost</b>			
(a).	Operation & Maintenance cost ( Rs. 95/ tonne x 1.4 MTPA)	13.30	13.30	13.30
(b).	Fixed maintenance charges (Rs. 2Lakhs p.m. x 12 months) after 2 years from commencement of operating as per letter of Acceptance to Rishi Shipping,Gandhidam.	0.24	0.00	0.24
(c).	Insurance ( 1% on Capital Cost )	0.47 (1% * ₹46.75 crores)	0.45 (1% * ₹44.51 crores)	0.45 (1% * ₹44.51 crores)
(d).	Depreciation			
(i)	Civil Item-Godown ( 1.90% )	0.62 (1.90% *32.58 ₹ crores)	0.62 (1.90% *32.55 ₹ crores)	0.62 (1.90% *32.55 ₹ crores)
(ii)	Elect. & Mech. Items- Plant ( 6.33%)	0.90 (6.33% * ₹ 14.19 crores)	0.76 (6.33% * ₹11.97 crores)	0.76 (6.33% * ₹11.97 crores)
	<b>Total Operating Cost</b>	<b>15.52</b>	<b>15.12</b>	<b>15.36</b>
<b>IV</b>	<b>Estimated Revenue Requirement &amp; upfront tariff for Cargo Handling Activity</b>			
(i).	<b>Estimated Revenue Requirement</b>			
(a).	Total Operating Cost	15.52	15.12	15.36
(b).	Return on capital Employed @ 16%	7.48	7.12	7.12
(c).	<b>Total Revenue requirement from cargo handling activity (a+b)</b>	<b>23.00</b>	<b>22.24</b>	<b>22.48</b>
<b>V</b>	<b>Cost per MT</b>	<b>Fertilizer</b>	<b>Fertilizer</b>	<b>Fertilizer</b>
(a).	Total Annual Revenue Requirement	23.00	22.24	22.48
(b).	Cargo Capacity in tonnes	1400000	1400000	1400000
(b).	Cost per MT			
	<b>Foreign</b>	<b>164.29</b>	<b>158.86</b>	<b>160.57</b>

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

**F.No. TAMP/33/2018-DPT - Proposal received from Deendayal Port Trust (DPT) for seeking approval of tariff for automated bagging and rake loading of fertilizers at godown no.34 inside cargo jetty area of DPT.**

The summary of comments received from Rishi Shipping and the response of DPT thereon is tabulated below:

Sr. No.	Comments of users / user association	Reply of DPT
<b>I.</b>	<b>Rishi Shipping</b>	
(i).	The civil work cost of 32 .57 lakh need not be loaded fully on the project, as only 50% of the warehouse is used for the bagging plant and the remaining 50%, north to south can be used for renting out to fertilizer companies for storing their cargo.	Looking to the positioning of the bagging machines and the related operations i.e. storage of the cargo in front of the bagging machines and space required for movement of Front End Loaders of loading the fertilizers onto the feed hopper/ conveyors etc. it is not possible to separate the 50% of the warehouse for storage activity.
(ii).	Fixed maintenance cost of ₹24.00 lakh per annum is not payable to the operator by the DPT for the first years of guarantee period. Hence ₹48 lakh need to be reduced from the total operating cost.	As the tariff is calculated considering all the operational and maintenance charges, the fixed maintenance charges have been rightly included in the calculation of tariff. [Subsequently, the DPT has filed revised calculation excluding fixed maintenance cost for the first 2 years]
(iii).	The life of the plant is taken as only 15 years, which may be reconsidered. As we are operating similar machines, we see that the life of the well maintained machines is more the 20 years.	As standard practice, life of Mechanical Electrical units are considered for 15 years. Also, considering the fact that these equipment will be operating in an area which is highly corrosive, the life of these equipment /plant has been considered as 15 years. Further, usage of equipment is also based on the assessment and major overhauling of machines.
(iv).	GST if any added to the cost may be removed as the same is recovered and adjusted by the port within its GST accumulation pool.	The observation is taken into consideration and the revised calculation sheet is furnished. (ANNEXURE-I).
(v).	DPT is facing stiff competition with the neighbouring ports and any increase in cost may lead to loss of cargo volume. At present we (M/s. Rishi Shipping) have 52 mobile bagging plants positioned near by the cargo stored in the warehouses and the same cargo is packed without any further shifting of cargo. While in the system of DPT bagging plant, the cargo is shifted from other godowns to plants in NG-34 for bagging, costing ₹40.00 per mt. Therefore total cost to the importer is increased by ₹40.00 per mt due to secondary transportation cost. The trade can bear max ₹150.00 per mt for bagging and rake loading facility.	As informed by Rishi Shipping as per the existing practice, the bagging plants are positioned nearby the fertilizer cargo stored in the godowns / warehouse and the cargo is packed without any further shifting of cargo. But, there will be one more movement i.e. the packed / bagged cargo will have to be shifted by trucks to the railway siding / wagon, which will again have some financial implication.  Whereas, in the proposed facility the packed bags will be directly loaded into the railway wagons and will not require separate transportation, thereby reducing the cost / loss due to transportation. Hence, ultimately, there will be no additional financial burden to the users / importers.

(vi).	Therefore we, on behalf of all importers of fertilizer request to kindly approve max ₹150.00 per mt instead proposed rate of ₹165.00 per mt.	Moreover, the rate has been worked out as per the TAMP guidelines.
<b>II. Rishi Shipping</b>		
(i).	Under instructions from and on behalf of Fertiliser Industries using DPT port in discharging imported Fertiliser and despatching by Rail and Road after packing in to 50 kgs bags confirm having received letter No.TAMP/33/2018-DPT dated 8.05.2018 and on behalf of all importers we, Rishi Shipping are the authorised Agents and respond to your letter and submit the following comments behalf of all importers:	No comments furnished by the Port.
(ii).	Rishi Shipping strongly protest para no.2 of the NOTES making mandatory of bagging all bulk fertiliser despatched from this facility only and only in the rare conditions when such facility non-operational then only Traffic Manager will accord permission for bagging by other Tyre mounted mobile plants installed in various storage area godowns inside port since two decades and outside port in Kandla and Gandhidham. Fertiliser industries strongly protest the same as it is not possible as indents are filed by the importers with the Railways for supply of the rakes after considering waiting period in each Terminal.	<p>(a). The Port is investing an amount of ₹44.52 crores (incl. the cost of godown) in this project. In order to make the project viable it is mandatory that this project is utilized to the fullest capacity.</p> <p>(b). Moreover, in the conditionalities it has been proposed that:</p> <p>(c). If the facility is not available for any reasons such as being non-operational, being the users to avail other facilities within or outside the Port, such permission will be issued by TM, DPT. Looking to both (a) &amp; (b) above, it can be seen that even though the full usage of the proposed facility is very important for the feasibility of the project, DPT has been reasonable enough by making the usage of the proposed facility compulsory usage and at the same time has provided the flexibility of allowing the importers / users to use other similar facilities in and outside the port, when the proposed facility is non-operational or pre-occupied.</p>
(iii).	Railway accept indents and supply rakes as per seniority of booking in every terminal which are as under:-	
(a).	KPRK Terminal (Inside port) - KPRK Terminal is the port Terminal inside port area. Six Rail lines are available in KPRK Terminal under control of DPT and Railway place rakes against indents filed as per seniority but prior to placement of Rakes, port issues permission to use particular line and rake placed on the same line. For loading rakes from Bagging Plant and rake loading facility, rake is required to be placed exclusively on line no.15 as NG-34 godown is along side rail line no.15 while from other mobile plants installed in NG-28, 20,30,31,32,33, bags are loaded in to trucks and trucks transport bags on any line where rakes are placed by using labour for shifting bags from trucks to wagons. All rail lines of KPRK are owned by DPT port and port can take decision on which line incoming rake to be placed. DPT is fully	No comments furnished by DPT.

	authorised to stop placement of rakes on any other line except line no.15 when their system is idle and can force the importers to use line no.15 by bagging in to their facility otherwise DPT will not permit use of other lines and in that case DPT is right to say that in case line no.15 is pre-occupied and then only permit to use other lines but DPT can exercise their jurisdictions to control rakes placed in other terminals of W. Rly.	
(b).	KDLP Terminal (outside west gate) - KDLP is the Rly Terminal outside out-side west gate of DPT having four rail lines maintained by Rly. One line is along-side CRWC warehouse where bulk fertiliser bagged and loaded into rakes placed on this facility known as NEW LINE. Besides, this facility, Rly have 3 more lines where rakes are handled and cargo arriving by trucks from port and outside port godowns are handled.	No comments furnished by DPT.
(c).	SHIRVA Terminal (Shirva Rly station) - This terminal of only one line is on the way to Gandhidham having priority to load liquid cargo, but, in absence of liquid cargo Rly allot rake to this single line for which separate registration of indents are maintained.	No comments furnished by DPT.
(d).	Gandhidham Goods shed terminal - Rly also registers indents in Gandhidham and allots the rakes as per seniority of booking for indents filed in Gandhidham.	No comments furnished by DPT.
(iv).	Importers have requirement of faster evacuation for their commitment to effect delivery to farmers as per allocation given by the Department of Fertiliser. Every importer wants to dump their fertiliser in the market so there is competition and importers examine the congestion in each of the four terminals and place indents accordingly after assessing the congestion.	No comments furnished by DPT.
(v).	DPT is facilitator having made arrangements for discharge of their vessels and storage in port area if godowns are available; Otherwise, importers have to make their own arrangements for godowns outside port and transport their bulk fertiliser from port for which permission of Traffic manager is not required and never taken in five decades.	No comments furnished by DPT.
(vi).	Without prejudice to same, it is submitted that this new facility created by DPT is for 1.2 million tones a year while total import of	(a) The proposed facility is being created for handling 1.40 MMTPA.

	fertiliser is 3.5 million tones. More than 2.3 million tones fertiliser will be packed by other means of bagging system may be mobile plants or manual labour and port cannot make mandatory of taking permission for rake to rake basis when indents of one month is filed in advance. DPT may however stop using other lines in port terminal (KPRK) if line no.15 used for this facility is idle. On behalf of all importers to kindly examine para no.2 of the notes and suitable amendment be made.	(b) As already stated in the above para, DPT has provided the flexibility of allowing the importers / users to use other similar facilities in and outside the port, when the proposed facility is non-operational or pre-occupied.  (c) Further, as stated, Traffic Department, DPT will take a holistic view of the position and allow the importers / users to use other similar facilities in and outside the port, when the proposed facility is non-operational or pre-occupied, so that the evacuation of cargo is not affected.
(vii).	Regarding fixation of the Tariff of ₹164.29 our comments on behalf of fertilizer industries is as under:-	
(a).	DPT erred in adding Taxes like Excise, Service tax, CST which is not paid and not payable. Only GST payable at 18% on purchase price of the plant and on the maintenance cost, operation cost and same recovered on bills raised on importers. DPT charging GST at 18% on all bills raised for their services charges and GST paid by DPT on bills of services received and on invoices of the purchases are adjusted and remaining amount collected from customers is paid to GST department. Hence no taxes to be added in computing the total cost.	The observation is taken into consideration and the revised calculation sheet is furnished. (ANNEXURE-I)
(b).	DPT is not paying fixed maintenance charges of ₹24 lakhs to operator for first two years and same may not be considered for first two years.	The tariff is not calculated on yearly expenditure basis. The tariff is calculated considering all the operational and maintenance charges, the fixed maintenance charges have been rightly included in the calculation of tariff. [Subsequently, the DPT has furnished revised calculation addressing the point made by the Rishi Shipping.]
(c).	Insurance @ 1% is not payable. DPT may kindly be asked to produce the invoice of insurance company for first year already paid and same may be considered for subsequent 7 years.	The insurance charges have been considered as per the TAMP guidelines. Moreover, the plant will be insured by DPT.
(d).	The Return on investment of the Warehouse may not be taken more than 6% while no issue if ROCE of 16% is considered on plant and machinery.	ROCE has been considered as per the TAMP guidelines.
(e).	Request you to kindly consider above points of the fertiliser industries	No comments furnished by DPT.

2. A joint hearing in this case was held on 11 June 2018 at the DPT premises. The DPT made a brief power point presentation of its proposal. At the joint hearing, the DPT and the concerned users/ user organizations have made the following submissions:

### **Deendayal Port Trust (DPT)**

- (i). Makes a power point Presentation of its proposal.
- (ii). In order to improve the turnaround time of the railway rakes, as recommended by BCG, DPT initiated the setting up of an automated bagging and rake loading facility for faster and efficient handling of fertilizer cargo at godown no.34 inside CJA.
- (iii). The project is being executed from the internal resources of DPT.
- (iv). In the proposed facility, 20 nos. of bagging and stitching units will be installed. Fertilizer shall be packed in neat and clean 50 kgs. bags. The Contractor is responsible for accuracy of the net weight of each bag. Weight variation will not be more than  $\pm 50$  grams in any bag.
- (v). The O&M contractor will be paid the "O&M service charges" for the cargo handled by the contractor through the proposed facility on per tonne basis. In addition to the above, from the third year onwards, DPT will be paying the contractor a fixed amount of ₹2.00 lakh per month as the maintenance charges of the facility. The rate quoted by the contractor is ₹95/- per tonne, for providing the services.
- (vi). This facility will be used by the fertilizer importers at Kandla. In order to recover the cost of facility the users will have to pay the charges to DPT, as per the tariff approved by TAMP.
- (vii). The tariff has been calculated considering the tariff guidelines 2008 plus price quoted by M/s.Rishi Shipping for the subject project.
- (viii). Capacity is calculated as 3,480 tonne/ rake, 3 rakes/ day, average no. of rakes at NG = 1.5, operational days 275 = 1.40 MMTPA (3,480\*1.5\*275).
- (ix). Capital cost is estimated at ₹44.52 crores. O&M cost is estimated at ₹15.36 crores and total ARR is estimated at ₹22.48 crores.
- (x). The use of this facility will be mandatory for all users handling fertilizers in Deendayal Port at cargo berth no.1 to 10.
- (xi). If the facility is not available for any reason such as being non-operational, being pre-occupied etc., DPT may permit the users to avail other facilities within or outside the Port. Such permissions will be issued by TM, DPT.
- (xii). This facility does not include neem coating. Neem coating to be done by importer.
- (xiii). The proposed rate is ₹160.57/ tonne.

### **Rishi Shipping**

- (i). Rishi Shipping is an agent of all importers bringing 3.5 MTPA of fertilizer to DPT.
- (ii). We do marketing to bring fertilizer to DPT. DPT has proposed bagging and rake loading compulsory.
- (iii). Import of Fertiliser is around 3.5 MTPA. DPT does not have capacity to handle complete 3.5 MTPA from the proposed facility.
- (iv). Railway has KPRK Terminal inside DPT. Railway has two terminals outside DPT viz. KDLP and Shirva.
- (v). Importer has to go to Railway and request for rake any time they need rakes.



- (vi). Railway is maintaining 3 different accounts for three different terminals. Railway gives rakes on seniority basis every morning. When rake will come it is not known. It is, however, made available within 12 hours of allotment.
- (vii). Port has jurisdiction on Railway within port. Port does not have control on Railway for terminal outside the port.
- (viii). Till now, manual bagging was being done. Presently, ₹150 is being charged for manual bagging of fertiliser and rake loading. The same rate may be kept. If rate is increased, cargo may go to neighbouring port.
- (ix). 16% ROCE is considered on godown cost. Part of the godown may be let out by DPT. ROCE may be reduced to that extent
- (x). Payment of operation and maintenance of ₹2 lakhs/ month is from third year. It is not there for first 2 years. Hence this component may be excluded from the cost calculation.

**Gandhidham Chamber of Commerce and Industry**

- (i). We do not have rate for bagging of fertilizer at Tuna.
- (ii). We have no comments on the proposal.

**Adani Kandla Bulk Terminal Private Limited**

- (i). Urea is packed in 45 kg Bag.

**DPT, Dy. Chairman**

Even now, bagging is being done. We are now proposing automated bagging plan and a contractor is appointed by DPT. The proposed facility will improve efficiency.

\*\*\*\*\*