

MANGALORE SEZ LIMITED



Annual Performance Review for FY 19 and Revised Annual Revenue Requirement for the Distribution & Retail Supply Business FY 21 and Revised Tariff Petition for FY 21

FILED ON 28th November, 2019

Submitted to

KARNATAKA ELECTRICITY REGULATORY COMMISSION

**By
MANGALORE SEZ LIMITED**

28thNovember, 2019

**BEFORE KARNATAKA ELECTRICITY REGULATORY
COMMISSION
AT BANGALORE**

**BEFORE KARNATAKA ELECTRICITY REGULATORY COMMISSION AT
BANGALORE**

Filing No. _____
Case No. _____

IN THE MATTER OF

An Application for approval for Annual Performance Review for FY 19 and Revised Annual Revenue Requirement and Expected Revenue from Charges (ERC) for wires and supply business of Mangalore SEZ Limited, Mangalore and approval of tariff filing for FY 21 of Mangalore SEZ Limited under Section 61 & 62 of the Electricity Act, 2003 read with relevant Regulations of KERC (Tariff) Regulations including KERC (Terms and Conditions for Determination of Tariff for Distribution and Retail Sale of Electricity) Regulations, 2006.

AND

IN THE MATTER OF

Mangalore SEZ Limited (MSEZL), Mangalore.

AFFIDAVIT

1. I, V. Suryanarayana, S/o V. Srinivasa Rao, aged 51 years, Chief Executive Officer, Mangalore SEZ Limited, Mangalore, do solemnly affirm and say as follows.
2. I, V. Suryanarayana, dealing with Regulatory Affairs, Mangalore SEZ Limited, Mangalore, duly authorized to make this Affidavit as per the delegation of powers approved by the Board of Directors in the 2nd Board Meeting held on 8th July, 2006.
3. The statement made in Chapters 1 to 9 and the related Annexure of ERC herein now shown to me are true to the best of my knowledge and the

statements made in Chapters 1 to 9 are based on information I believe to be true.

4. Solemnly affirmed at Mangalore on this 22nd November 2019 that the contents of the above Affidavit are true to the best of my knowledge, no part of it is false and no material information has been concealed there from.

For **Mangalore SEZ Limited**

Place: Mangalore

Date: 22.11.2019

Authorized Signatory

ABBREVIATIONS

A&G	Administrative and General
ARR	Aggregate revenue requirement
APR	Annual Performance Review
CERC	Central Electricity Regulatory Commission
CAPEX	Capital Expenditure
CWIP	Capital Work in Progress
Cr	Crore
D:E	Debt to Equity Ratio
ERC	Expected Revenue from Charges
FAC	Fuel Cost Adjustment Charges
FY	Financial Year
HT	High Tension
GSS	Grid Substation
GFA	Gross Fixed Asset
KPTCL	Karnataka Power Transmission Company
KERC and Hon'ble Commission	Karnataka Electricity Regulatory Commission
KV	Kilo volts
KVA	Kilo volt Amperes
KW	Kilo Watt
KWh	Kilo Watt hours
LT	Low Tension
MAT	Minimum Alternate Tax
MESCOM	Mangalore Electricity Supply Company
MSEZ	Mangalore Special Economic Zone
MSEZL	Mangalore SEZ Limited
MUs	Million Units
MVA	Mega Volt Amp
MYT	Multi Year Tariff
O & M	Operation & maintenance
RBI	Reserve Bank of India
R & M	Repairs and Maintenance
RoE	Return on Equity
SEZ	Special Economic Zone
TDS	Tax Deducted at Source

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ARR FILING ANNEXURES

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NOTE

In this application:

Previous year is defined as Financial Year 2018– 19
(Referred as FY – 19)

Current year is defined as Financial Year 2019 – 20
(Referred as FY – 20)

Ensuing year is defined as Financial Year 2020 –21
(Referred as FY – 21)

1. STATUTORY ADHERANCE

- A. In accordance with The Karnataka Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff for Distribution and Retail Sale of Electricity) Regulations-2006, every Distribution Licensee is required to file an application for approval of ARR and ERC under the MYT framework for the Control Period. The filing for the Control period shall have to be made by the licensed within a period not less than 120 days before the commencement of the Control Period. The filing shall be for the entire Control Period. The filing shall be in the same form as specified in the KERC (Tariff) Regulations, with year wise details for each year of the Control Period, duly complying with the principles for determination of ARR as specified in these Regulations.
- B. As per the Extraordinary Gazette Notification dated 3-3-2010 issued by Ministry of Commerce, Government of India, the Developers / Co-Developers of a Special Economic Zones notified under sub section 1 of section 4 of SEZ act 2005, shall be deemed a distribution licensee as per Section 14 of the Electricity Act 2003.

Consequently, MSEZL (a SEZ Developer) has been consistently filing the tariff petition (from FY 16 onwards) and the latest tariff application was filed for FY 20. The Hon'ble Commission has approved the ARR and passed tariff orders for FY 20.

The content of latest order dated 30th May, 2019 passed for ARR FY 20 is as under:

- The Hon'ble Commission has for FY 20, approved a Net ARR of Rs.44.74Crore.
- The approved retail supply and distribution tariff FY 20 under four categories is **HT Industrial** - Rs.210/KVA and Rs.7.15/kWh for energy charges; **HT Construction**- Rs.260/KVA and Rs.10.60/kWh for energy

charges; **LT Industrial**- Rs.200/KW and Rs.6.65/kWh for energy charges;
LT Construction - Rs.240/KW and Rs.10.6/kWh for energy charges.

- C. The Hon'ble Commission has vide letter dated 04th October, 2019 has directed us to file the APR for FY 19 and application for revision of ARR/Tariff for FY 21 and MSEZL is presently filing the APR for FY 19, revision for application of ARR/Tariff for FY 21.
- D. The content of this application is in accordance with the Retail supply tariff guidelines notified by Hon'ble Commission.
- E. As part of this exercise, MSEZL will provide such information as may be stipulated by the Hon'ble Commission from time to time. For any additional information not previously known or available to us at the time of filing the APR for FY 19 and revised ARR for FY 21, the information would be placed as additional submissions for the kind consideration of the Hon'ble Commission.

2. MSEZL in brief

2.1 Profile of the company

The Government of India has, over the last decade, adopted a multi-pronged approach for promotion of foreign investments in India. Government of India announced, the SEZ Policy, to enable the creation of SEZs in the country with a view to provide an internationally competitive and hassle-free environment for exports. This policy was intended to make SEZs an engine for economic growth supported by quality infrastructure complemented by an attractive fiscal package, both at the Centre and the State level, with the minimum possible regulations.

Mangalore SEZ Limited (MSEZL) is an SPV co-promoted by Oil and Natural Gas Corporation Limited (ONGC) (26%), Infrastructure Leasing & Financial Services Limited (IL&FS) (50%), Karnataka Industrial Areas Development Board (KIADB) (23%) and Kanara Chamber of Commerce and Industries (KCCI) and others (1%).

MSEZL being upgraded to Multi Product SEZ can attract investments from sectors viz., Petroleum & Petrochemical Products, Plastics, IT & ITES, Pharma, Textiles and Manufacturing & Others. Currently, MSEZL has attracted investments from Petrochemicals, Pharma and Food Processing Industries.

Our Esteemed Consumer Profile is as under:

Sl. No	Customers
1	ONGC Mangalore Petrochemicals Limited
2	Indian Strategic Petroleum Reserves Limited
3	Syngene International Limited, a Biocon Company
4	Catasynt Specialty Chemicals
5	Cardolite Specialty Chemicals LLP
6	Authentic Ocean Treasure
7	Gadre Marine Export Private Limited
8	Yashaswi Fish Meal & Oil
9	Shree Ulka LLP
10	MSEZL utility installations

2.2 Brief Introduction of Licensed Activities (Electrical Network)

- a) MSEZL has constructed 110/33/11KV substation (GSS-03) with installed capacity of 40MVA, which can be augmented, to 80MVA to cater power to various units. Though MSEZL is a multiproduct SEZ, majority of industries located in it are petrochemical industries and as per the norms of OSID, MSEZL receives and distributes power to all its consumers by underground cables only. A stable and quality power supply is provided to 11KV consumers through Ring Main Units which are inter linked with UG cables and for 33KV consumers the supply is directly fed through radial feeders emanating from 110/33/11KV GSS-03 and also through ring main units.
- b) The 110/33/11KV GSS-03 of substation receives stable power from the nearby 220/110/11KV Main Receiving Sub-station of KPTCL at Bajpe for which 13.939 acres of land within the MSEZL area is leased to KPTCL. From this receiving substation, MSEZL has laid twin circuits of copper underground cables of 110KV class 400-sqmm cable to GSS-03, each circuit is capable of delivering 80MVA power, with an augmentation. The total route length of the twin circuits is 1.9 KMS.
- c) In the upstream 220/110/11KV Main Receiving Sub-station of KPTCL is sourced through the 220KV Double circuit line from Kemar to Kavoor. This line is integrated to the grid network of KPTCL and further to the southern grid of India.
- d) Based on the existing consumer's requirement and requirement of power for upcoming industries, the Grid substation with 40 MVA capacities is capable of catering power until FY 2022.

2.3 Map of Existing electrical network

2.4 Consumers Profile as on 31.03.2019

As on 31 March 2019, the Company was providing power supply to consumers at different voltage levels, as given below:-

Sl. No.	Class of Consumer	No. of consumers	Voltage class	Sanctioned load MVA
1	HT - Industrial	11	33/11KV	22.55
2	HT - Construction	1	11KV	1.00
3	LT - Industrial	8	440 V	0.15
4	LT - Construction	5	440 V	0.07
	Total	25		23.77

3. Segregating Licensed & Non-licensed activities of MSEZL

- A. The books of account of MSEZL as at 31st March 2019 is audited; received, considered and adopted by the shareholders in the Annual General Meeting held on 27th September, 2019. From the audited books of account, the audited financial statements have been segregated into licensed and non-licensed portion activities.
- B. The basis and method adopted for segregation of Balance sheet and Profit & Loss account of FY 19 is consistent with the methodology followed for segregation in the earlier tariff petitions filed for FY 16, FY 17, FY18, FY 19 and FY 20 (Chapter 3 of respective ARR filing).
- C. MSEZL has put in its best efforts to accurately bifurcate the entire business transactions into the “Licensed” and “Non-Licensed” portion. It has all the supporting records/documents in support of the exercise made. The Company would be happy to provide any further information that would be required by the Commission in this regard.
- D. The independent report received from the auditor for the segregation of statement of Balance sheet and licensed activity Statement of Profit & Loss for FY 19 is attached as Annexure I.

The audited Balance sheet of the MSEZL as at 31st March 2019:

Rs. in Crore	
Particulars	As at 31-03-2019
SHAREHOLDER'S FUNDS:	
SHARE CAPITAL	50.00
RESERVES & SURPLUS	25.66
Total	75.66
LOAN FUNDS:	
LOANS FROM STATE GOVT	
LOANS FROM OTHERS- SECURED	549.87
LOANS FROM OTHERS- UNSECURED	
FRESH BORROWINGS FOR CAPEX	
Total	549.87
CONTRIBUTIONS, GRANTS & SUBSIDIES TOWARDS COST OF CAPITAL ASSETS	19.39

OTHER LONG TERM LIABILITIES	954.97
LONG TERM PROVISIONS	1.72
DEFERRED TAX LIABILITY	8.91
GRAND TOTAL	1,610.52
APPLICATION OF FUNDS:	
NET FIXED ASSETS:	
a) GROSS BLOCK	1,377.55
b) LESS: ACCUMULATED DEPRECIATION+AAD	139.31
c) NET FIXED ASSETS	1,238.24
d) CAPITAL WORK IN PROGRESS	188.87
e) ASSETS NOT IN USE	
f) DEFERRED COSTS	
g) INTANGIBLE ASSETS	13.21
SUB TOTAL OF (c) TO (g)	1,440.32
INVESTMENTS	0.09
LONG TERM LOANS AND ADVANCES – SECURITY DEPOSIT KEPT WITH MESCOM AND OTHERS	5.26
OTHER NON-CURRENT ASSETS	12.58
OTHERS	0.50
SUB TOTAL	18.43
NET CURRENT ASSETS:	
A. CURRENT ASSETS, LOANS & ADVANCES	
a) INVENTORIES	-
b) CURRENT INVESTMENTS	52.93
c) RECEIVABLES AGAINST SALE OF POWER& OTHER RECEIVABLES	187.22
d) CASH & BANK BALANCES	31.27
e) LOANS & ADVANCES and OTHER CURRENT ASSETS	3.63
f) SUNDRY RECEIVABLES	-
TOTAL OF A	275.06
B. CURRENT LIABILITIES AND PROVISIONS:	
a) SECURITY DEPOSIT FROM CONSUMERS	4.56
b) BORROWINGS FOR WORKING CAPITAL	
c) PAYMENTS DUE ON CAPITAL LIABILITIES	43.58
d) OTHER CURRENT LIABILITIES - D 25	46.28
e) CURRENT MATURITIES OF LONG TERM DEBT	
f) TRADE PAYABLE	10.65
g) PROVISION FOR PENSION, GRATUITY, FBF etc.	15.62
h) PROVISION FOR IT and FBT	2.60
TOTAL OF B	123.29
NET CURRENT ASSETS (A - B)	151.77
GRAND TOTAL	1,610.52

The segregated balance sheet as at 31st March 2019 into licensed and Non-Licensed activities is as under.

Rs. in Crore

PARTICULARS	MSEZL Audited Figures as at 31st March 2019	Non- Licensed Activity as at 31 st March 2019	Licensed Activity as at 31 st March 2019
SHAREHOLDER'S FUNDS:			
EQUITY SHARE CAPITAL – (INCLUDING SHARE DEPOSIT)	50.00	50.00	35.55
EQUITY SHARE CONTRIBUTION	25.66	27.03	(1.37)
RESERVES & SURPLUS	75.66	77.03	34.18
Total			
LOAN FUNDS:			
LOANS FROM STATE GOVT	549.87	526.00	23.87
LOANS FROM OTHERS- SECURED			
LOANS FROM OTHERS- UNSECURED			
FRESH BORROWINGS FOR CAPEX	549.87	526.00	23.87
Total			
CONTRIBUTIONS, GRANTS & SUBSIDIES TOWARDS COST OF CAPITAL ASSETS	19.39	19.39	-
OTHER LONG TERM LIABILITIES	954.97	954.97	-
LONG TERM PROVISIONS	1.72	1.72	-
DEFERRED TAX LIABILITY	8.91	4.03	4.88
GRAND TOTAL	1,610.52	1,583.15	62.93
APPLICATION OF FUNDS:			
NET FIXED ASSETS:			
a) GROSS BLOCK	1,377.55	1,310.39	67.16
b) LESS: ACCUMULATED DEPRECIATION+AAD	139.31	128.83	10.48
c) NET FIXED ASSETS	1,238.24	1,181.56	56.68
d) CAPITAL WORK IN PROGRESS	188.87	188.87	-
e) ASSETS NOT IN USE			
f) DEFERRED COSTS			
g) INTANGIBLE ASSETS	13.21	13.21	-
SUB TOTAL OF (c) TO (g)	1,440.32	1,383.64	56.68
INVESTMENTS	0.09	0.09	-
LONG TERM LOANS AND ADVANCES – SECURITY DEPOSIT WITH MESCOM AND OTHERS	5.26	1.41	3.85
OTHER NON-CURRENT ASSETS	12.58	12.58	-
OTHERS	0.50	0.50	-
SUB TOTAL	18.43	14.58	3.85
NET CURRENT ASSETS:			
A. CURRENT ASSETS, LOANS & ADVANCES			

a) INVENTORIES	-	-	-
b) CURRENT INVESTMENTS	52.93	52.93	-
c) RECEIVABLES AGAINST SALE OF POWER & OTHER RECEIVABLE	187.22	182.83	4.39
d) CASH & BANK BALANCES	31.27	26.38	4.89
e) Share Contribution to Licensed Activity	-	35.55	-
f) LOANS & ADVANCES and OTHER CURRENT ASSETS	3.63	3.39	0.24
g) SUNDRY RECEIVABLES	-	-	-
TOTAL OF A	275.06	301.09	9.52
B. CURRENT LIABILITIES AND PROVISIONS:			
a) SECURITY DEPOSIT FROM CONSUMERS	4.56	0.12	4.44
b) BORROWINGS FOR WORKING CAPITAL	-	-	-
c) PAYMENTS DUE ON CAPITAL LIABILITIES	43.58	43.58	-
d) OTHER CURRENT LIABILITIES - D 25	46.28	46.05	0.23
e) CURRENT MATURITIES OF LONG TERM DEBT	-	-	-
f) SUNDRY CREDITORS	10.65	8.19	2.46
g) PROVISION FOR PENSION, GRATUITY, FBF etc.	15.62	15.62	-
h) PROVISION FOR IT and FBT	2.60	2.60	-
TOTAL OF B	123.29	116.15	7.13
NET CURRENT ASSETS (A - B)	151.77	184.93	2.39
GRAND TOTAL	1,610.52	1,583.15	62.93

The balance sheet details for licensed activity as at 31.03.2019 is explained, as under.

3.0 Balance Sheet Items:

i. Fixed Asset

The gross fixed assets position as on 31st March 2019 comprises of the followings fixed assets:

Sl. No.	Particulars	Amount Rs. in Crore
1.	Leasehold Land	6.17
2.	Building and structures	2.84
3.	Plant and Machinery Substation Transformers, Circuit breakers, other fixed apparatus of rating 100 MVA and below	21.28
4	Towers, Poles, fixture, overhead conductors, UG cables and devices	35.92
5	Other items/Computers	0.07
6	Other Civil Works - Roads	0.87
	MSEZL - Total	67.16

Note: In FY 19, capital works amounting to Rs. 2 Crore was capitalized.

ii. Accumulated Depreciation

The accumulated depreciation as at 31st March, 2019 for the above listed fixed assets is Rs.10.48 Crore.

iii. CWIP

The CWIP as at 31st March, 2019 is NIL. The CWIP as at 31st March 2018 Rs.2 Crore, being the works carried out, as under is capitalized w.e.f.01.07.2018

(i) Extension of 33KV distribution network using 33KV 3R*1C*630Sq.mm and 1R*1C*240Sq.mm UG cables Rs.1.88 Crore: The UG cable of 16 KMs length was laid to cater power supply to new consumers, for whom power is already been sanctioned. These cables have been laid through 33 KV RMUs to render reliable and quality power supply. The extension works is taken up in FY 18 considering the fact that the new consumers would avail power by October 2018 and

(ii) Improvement of 11KV distribution network Rs.0.12 Crore: Towards using 11 KV UG cables in order to have stable and uninterrupted power supply.

3.1 Long Term Loans & Advances

The deposits kept with MESCOM for drawing 20 MVA power and outstanding as at 31st March 2019 is Rs. 3.85 Crore.

3.2 Current Assets:

a. Receivables against sale of power Rs.4.39 Crore, details are as under:

i. Outstanding dues against the sale of energy in FY 19 Rs.4.39 Crore.

These receivables are mainly of the bills raised for the month of March 2019.

b. Cash & Bank Balance: The cash and bank balance is Rs.4.89 Crore.

c. Other Current Assets includes gross accrued interest receivable for FY 19 on security deposit kept with MESCOM Rs.0.24 Crore.

3.3 Current Liabilities:

a. Security deposits from consumers: The outstanding security deposits from consumers as at 31st March 2019 Rs.4.22 Crore and interest payable on the deposits Rs.0.22 Crore for FY 18-19 is considered here.

b. Other Current Liabilities of Rs.0.23 Crore as at 31st March 2019 includes Rs.0.20 Crore towards the monies withheld under contractual terms/work orders awarded towards licensed business activity and Rs. 0.03 Crore statutory liabilities payable towards TDS.

- c. Trade Payable: The trade payable Rs.2.46 Crore includes the amount payable towards monthly contractual obligations and power purchase cost.
- d. The tax liability arising out of the temporary timing difference on account of differential depreciation rates under Income Tax Act, 1961 and CERC notified rates is accounted as deferred tax liability and as at 31st March, 2019 the accumulated liability is Rs.4.88 Crore.

3.4 Capital Structure For Licensed Business Activity:

- a) In the previous three ARR filings, we had prepared and presented the balance sheet initial capital structure for FY 14, FY 15, FY 16, FY 17 & FY 18. The method adopted for arriving at the debt and equity amount **for a capital investment of Rs.65.84 Crore** was explained in detail in the FY 18 ARR filing from page number 22 to page number 23. The same is recapitulated as under:
- The overall D: E ratio for MSEZL was 46:54 (including cost of land) and hence, the D: E ratio for licensed business activity is also structured and computed on the similar basis.
 - The funding for capital investment of Rs.65.84 Crore is considered at the D: E ratio of 46:54 respectively.
- b) Though the D:E ratio of MSEZ licensed activity as per its Balance sheet is 46:54 as stated above, for the regulatory accounting, we have considered capital structure at D:E ratio of 70:30 for computation of interest on capital loan and RoE calculation for tariff fixation/determination. These calculations are furnished in Form A1, Form A4 and Form D9 of the excel file attached.
- c) **The Hon'ble Commission in its Order dated 26th October, 2017 against RP.08/2017 for FY 18 FY 17 has considered normative D: E ratio of 70:30 as the capital structure for approving the returns viz., interest on capital and RoE respectively.**
- d) We wish to emphasize again that the segregation of licensed activity flows from the MSEZL statutory accounting where the debt and equity is carried

at historical actual viz., 46:54 ratio, which is reflected in the Form A2, Form A4 and Form D9.

- e) Thus, in the Balance Sheet as at 31st March 2019 – the outstanding debt stands at Rs.23.87Croreand equity share capital is Rs.35.55 Crore.

4. Annual Performance Review – FY19

4.1 The Hon'ble Commission has approved an ARR of Rs.38.23 Crore for FY 19. The present APR for FY 19 is submitted for the kind consideration of the Hon'ble Commission, considering the actual revenue and expenditure incurred during the year.

4.2 The APR for FY 19 is presented under the following heads:

A. Operating Performance.

B. Financial Performance.

A. Operating Performance:

i. Energy Sales:

The category wise actual sales are as follows:

Consumer Category	FY 19 Energy Sales (in MUs)
HT Industrial	40.62
LT Industrial	0.35
HT Construction	0.27
LT Construction	0.25
Total	41.50

In FY 19, we have achieved 93% of the approved energy Sales of 44.69 MUs. The less than anticipated energy consumption by consumers in HT construction and industrial category has contributed to shortfall in energy sales.

ii. Power Purchase:

In FY 19, we have drawn from MESCOM 41.94 MUs which is 93% of projected power purchase of 45.32 MUs.

Source	Actual Energy in – MUs
MESCOM	41.94

iii. Distribution Loss:

In FY 19, we have maintained the distribution loss at 1.05% compared to approved distribution loss of 1.40%.

B. Financial Performance:

The statement of profit and loss showing the actual **Vs** the regulatory accounting and is as under:

Rs. in Crore

Ref Form- No	PARTICULARS	FY 19 P&L as per Audited Accounts	FY 19 Regulatory Accounting	
			P&L (Form A1)	RR GAP
	POWER PURCHASE (MU)	41.94	41.94	41.94
T1/D1	ENERGY AVAILABLE AT INTERFACE POINTS (MU)	41.94	41.94	41.94
T2/D2	ENERGY SOLD (MU)	41.50	41.50	41.50
	DISTRIBUTION LOSS (%)	1.05%	1.05%	1.05%
	INCOME			
T2/D2	REVENUE FROM SALE OF POWER	33.65	33.65	33.65
T3/D3	TARIFF SUBSIDY FOR BJ/KJ & IP SETS	-	-	-
T3/D3	REV SUBSIDIES & GRANTS	-	-	-
T4/D4	OTHER INCOME	0.28	0.28	0.28
	TOTAL	33.93	33.93	33.93
	EXPENDITURE			
T1/D1	PURCHASE OF POWER	25.57	25.57	25.57
T5/D5	REPAIRS & MAINTENANCE	0.77	0.77	0.77
T6/D6	EMPLOYEES COSTS	0.42	0.42	0.42
T7/D7	ADM & GENERAL EXPENSES	0.27	0.27	0.27
T8/D8	DEPRECIATION AND RELATED DTS	2.81	2.81	2.81
T9/D9	INTEREST & FINANCE CHARGES	2.24	3.98	3.98
	SUB-TOTAL	32.08	33.81	33.81
T10/D10	LESS: EXPENSES CAPITALISED – Interest and other expenses	-	-	-
T11/D11	OTHER DEBITS (incl. Bad debts)	-	-	-
T12/D12	EXTRAORDINARY ITEMS	-	-	-
	TOTAL EXPENDITURE	32.08	33.81	33.81
	PROFIT (LOSS) BEFORE TAX	1.85	0.11	0.11
	PROVISION FOR TAXES			
	Current Tax	-	-	-
	Deferred Tax	0.09	0.09	-
	PROFIT (LOSS) AFTER TAX	1.76	0.02	0.11
T13/D13	NET PRIOR PERIOD Debits/Credits	-	-	-
	RETURN ON EQUITY	3.03	3.03	3.03
	Absorbed as per KERC order for FY 18		(2.92)	(2.92)
	REVENUE SURPLUS/(DEFECIT)	(1.27)	(0.09)	-

NOTES:

We would like to bring to the kind notice of the Hon'ble Commission the reasons for differences in figures under expenditure item 'Interest and Finance charges' under the heads 'FY 19 P&L as per Audited Accounts' and 'FY 19 Regulatory accounting'.

1. 'Interest & Finance Charges' – The auditor has considered and certified for only for the actual interest expense of Rs.2 Crore and not the normative interest portion of Rs.1.06 Crore, which is allowed and claimed as per regulatory accounting and
2. The normative interest on working capital Rs.0.68 Crore is claimed only under regulatory accounting interest and finance charges.

I. INCOME

a. Revenue from Sale of Power:

In FY 19, the energy sold is 41.50 MUs and revenue billed and recognized for the period April 2018 to March 2019 is Rs.33.65 Crore. The summary of consumer category wise sales and revenue is as under:

Sl. No.	Consumer Category	Energy Sold in MUs	Revenue – Rs. in Crore
1	HT Industrial	40.62	32.76
2	LT Industrial	0.35	0.26
3	HT Construction	0.27	0.33
4	LT Construction	0.25	0.30
	Total Revenue from sale of power for FY 19	41.50	33.65

b. Other Income:

The details of other income areas under:

Sl. No.	Details	Amount Rs. in Crore
1	Interest income on deposits kept with MESCOM	0.24
2	Supervision charges and others	0.04
	Total	0.28

II. EXPENDITURE

a. Power Purchase Cost:

- i. We have paid MESCOM at a rate of Rs.5.936/unit, being the approved power purchase rate/unit for FY 19. Further, the FAC/unit was also charged by MESCOM from to time during FY 19 and the same was paid.
- ii. We have sourced the entire power of 41.94 MUs from MESCOM only.
- iii. The Hon'ble Commission vide the order dated 14.05.2018 while approving the APR for FY 2016-17 had revised the power purchase cost of FY 2016-17 and directed MSEZL to pay the differential power purchase cost of Rs.0.61 Crore to MESCOM. MSEZL had paid Rs.0.61 Crore to MESCOM on 25.06.2018.

The power purchase cost details are as under:

Source	Actual Energy in- MUs	Power Purchase Cost Rs. in Cr.	Average rate Rs./kWh
MESCOM	41.94	25.5654 #	6.10

includes Rs.0.61Crore paid to MESCOM as per Hon'ble Commission order dated 14.05.2018 for FY 2016-17.

includes FAC charged by MESCOM during FY 19.

While approving the APR for FY 19, if, the Hon'ble Commission increases the power purchase cost for FY 19, we request the Hon'ble Commission to pass orders for recovery of the entire increase in PP cost from the consumers only [in proportion to the actual energy consumed by the respective consumers] , as has been done in the previous years.

b. O&M Expenses:

- i. We have incurred O&M expenses of Rs.1.46 Crore which comprise of (a) R&M Expense (b) Employee cost and (c) A&G Expense, wherein the:-
 - R&M expense includes expenses like GSS outsourced manpower cost, consumables, testing charges, servicing of electrical instruments, KPTCL & CEIG statutory charges, inspection charges and etc.
 - A&G expense includes expenses line insurance premium on fixed assets of GSS, professional and technical fess, KERC annual license fee, printing and advertisement charges and etc.
 - Employee Cost includes the share of direct employee cost and shared Corporate Service Employee cost.
- ii. The Hon'ble Commission has approved O&M expense in ARR for FY 19 Rs.1.45 Crore.

iii. Further, the Hon'ble Commission has allowed Rs.1.35 Crore in APR for FY 18 considering the:

- Base year and cost: The audited O&M expenses of the base year as per the audited accounts for FY 17.
- The three year CAGR of the number of installations considering the actual number of installations at 28.28%.
- The weighted inflation index at 8.276%.
- Efficiency factor at 0.5% as considered in earlier control periods.

The above approach adopted by the Hon'ble Commission, when considered with fresh facts and information, the allowable normative FY 19 O&M expense would be based on:

- Base year and cost: The audited O&M expenses of the base year as per the audited accounts for FY 18 Rs.1.35 Crore. The Hon'ble Commission has allowed Rs.1.35 Crore while approving the FY 18 APR.
- The weighted inflation index of 8.276%.
- Efficiency factor at 0.5% as considered in earlier control periods.

iv. Hence, the normative allowable O&M expenses for APR FY 19 would be:

Particulars	FY 16	FY 17	FY 18	FY 19
No. of installations	9	15	21	25
Consumer Growth rate-CAGR			25.99%	
Weighted inflation index (WII)		7.71%	8.1059%	8.2760%
Base year O&M cost – Rs. in Cr.(T)	1.13	1.22	1.35	
Normative O&M expenses – (T*1+WII) (Rs.1.35 Crore * 1.08276)				1.4617

v. We request the Hon'ble Commission to allow the actual O&M expense of Rs.1.46 Crore for FY 19 since:

- a. The actual O&M expense of Rs.1.46 Crore is within the approved the normative O&M allowed in the ARR FY 19 Rs.1.45 Crore **and**;
- b. The allowable normative O&M expense based on the methodology followed by the Hon'ble Commission, as above, is Rs.1.4617 Crore.

c. Depreciation:

- i. Depreciation is calculated based on the method and depreciation rates notified as per Annexure III of CERC Notification 2009. Further, in FY 19 annual

accounts, Notes 2 titled 'significant accounting policies - on depreciation', it is specifically stated that depreciation charge to Profit & Loss account on power distribution assets is as based on the depreciation rates notified by CERC.

- ii. The actual depreciation charge to statement of profit and loss for FY 19 is Rs.2.81Crore.
- iii. The depreciation charge details are as under:-

Asset details	Gross carrying amount			Depreciation /Amortization			Net carrying amount	
	As at 01.04.2018	Additions during the year	As at 31.03.2019	As at 01.04.2018	Additions during the year	As at 31.03.2019	As at 31.03.2019	As at 31.03.2018
Leasehold land	6.17	-	6.17	-	-	-	6.17	6.17
Building	2.84	-	2.84	0.27	0.09	0.36	2.48	2.57
Substation & others	21.27	0.01	21.28	3.02	1.01	4.03	17.25	18.25
UG cables	33.93	1.99 #	35.92	4.30	1.68	5.98	29.94	29.63
Computers	0.07	-	0.07	-	-	-	0.07	0.07
Road	0.87	-	0.87	0.08	0.03	0.11	0.76	0.79
Total	65.16	2.00	67.16	7.66	2.81	10.48	56.68	57.50

During FY 19 we have capitalized assets of Rs.2 Cr (kindly refer Para 3 (iii) in Chapter 3 for details of assets capitalized). Thus, pro-rata depreciation is charged on the assets capitalized w.e.f.01.07.2018.

- iv. Thus, we request the Hon'ble Commission to allow the actual depreciation charge of Rs.2.81 Crore.
- d. Interest & Finance Charges:
 - i. Interest on Loan Capital:

The interest on capital loan of Rs.3.05 Crore for FY 19 is worked as under.

Table A

Sl. No.	Particulars	Details	Remarks
1	Weighted Average rate of interest on term loan – per annum	8.2267%	As per Table C below
2	Average borrowing for licensed activity – Rs. in Crore	24.37	As per Table B below
3	Actual Interest charge for FY 19 – Amount in Rs.in Crore (1*2)	2.00	
4	Normative Interest claim on excess equity investment in GFA – Amount in Rs. in Crore	1.06	As per Table E below
5	Total interest claim on loan as per regulatory accounting (3+4) – Amount in Rs. Crore.	3.06	

Table B
The Weighted average long term loan:

Amount Rs. in Crore				
Sl. No.	Particulars	As at 31.03.2019	As at 31.03.2018	Remarks
1	Long term capital loan	23.87	24.44	Refer Form A-2 & Form D-9 of the current tariff filing
2	Current maturities of long term loan	-	0.43	Refer Form A-2 & Form D-9 of the current tariff filing
3	Total Outstanding	23.87	24.87	
4	Average Borrowings		24.37	

Table C
The Weighted Average Interest on term Loans of MSEZL for FY 19 is as under:

Sl. No.	Particulars	Details	Remarks
1	Interest on Term loan Paid (A) -Amount in Rs. in Crore	46.18	Refer 'Cash flow statement' in Annual Accounts
2	Average Borrowings – Amount in Rs. in Crore	561.34	Refer Table D, below
3	Weighted Average rate of interest on term loan – per annum (1/2*100) for FY 19	8.2267%	

Table D

Amount in Rs.				
Sl. No.	Particulars	As at 31.03.2019	As at 31.03.2018	Remarks
1	Long term capital loan	549.87	572.81	Refer Note 22 in Annual accounts
2	Average Borrowings		561.34	

In connection with the interest claim of Rs.2 Crore, we would like to draw the attention of the Hon'ble Commission to the following points:-

- The interest on loan capital is computed based on the weighted average rate of interest for FY 19 i.e.8.2267%p.a. (Table C).
- The quantitative details in Table C and Table D are based on the MSEZL audited annual accounts for FY 19.
- There are no fresh/new loans considered for licensed activity business in FY 19.
- The average loan outstanding of Rs.24.37 Crore is based on the (i) opening loan balances as admitted by the Hon'ble Commission in the earlier years

ARR/tariff petitions and (ii) closing loan balance after considering repayment of Rs.1 Crore in FY 19.

- **The loan balances in the licensed activity balance sheet is based on debt balances at 46% (Refer Para 3.4 in Chapter 3) and interest as computed above on average loan balance of 46% i.e.Rs.24.37Croreworks out to Rs.2 Crore.**

ii. Normative Interest on Loan Capital:

- The clause 3.6 of KERC (Terms and Conditions for Determination of Tariff for Distribution and Retail sale of Electricity) Regulations, 2006 allows normative interest on the equity amount in excess of 30% gross fixed assets (GFA).
- The following are the workings for allowable normative interest on excess equity capital.

Table E

Sl. No.	Particulars	Amount in Rs. Crore
1	Opening balance of GFA	65.16
2	30% of GFA (eligible for allowance of RoE)	19.548
3	Opening balance of equity	32.42
4	Equity in excess of 30% of GFA (3-2)	12.872
5	Allowable interest in %	8.2267%
6	Allowable normative interest	1.06

iii. Normative Interest on Working Capital:

The normative interest on working capital claimed as under.

Sl. No.	Parameters	Calculation	FY 19
1	Operation and maintenance for one month – Rs.1.46 Cr for FY 19 as per APR	Rs.1.46 Cr/12 Months	Rs.0.12 Cr
2	Spares at 1% on GFA at the beginning of the year – GFA as at 01.04.2018 is Rs.65.16Crore	Rs.65.16 Cr * 1%	Rs.0.65 Cr
3	Receivables equivalent to two months average billing – Revenue for FY 19 Rs.30.85 Cr	(Rs.33.65 Cr*2 Months)/12 Months –	Rs.5.61 Cr
4	Total working capital requirement- A		Rs.6.38 Cr
5	SBI MCLR rate 8.5%plus 250 basis points - B		11%
6	Normative working capital claimed(A*B)		Rs.0.68 Cr

iv. Interest on Consumers Deposits:

- Interest on consumers deposit Rs. 0.24Croreis calculated as per the KERC (Interest on Security Deposits) Regulations, 2005. The details are asunder:

Sl. No.	Amount of security deposit outstanding as at 01.04.2018	Period	Interest @ *6.25%p.a	Remarks
1	Rs.3.81 Crore	365 days	Rs.0.24 Cr	Total amount of deposit as on 01.04.2018
2	Rs.0.41	Proportionate period	Rs.0.004 Cr	Deposit amount accepted during FY 19
3	Rs.4.22		Rs.0.24 Cr	

- The bank rate as on 01.04.2018 is **6.25% per annum.**
- The interest on consumers deposit Rs.0.24 Crore is charged to P&L account and also, a provision for interest payable in madeFY 19 audited books of account.

Thus, we request the Hon'ble Commission to allow us the actual Interest on consumers' deposits of Rs.0.24 Crore for FY 19.

The summary of interest and finance charge is as under:

Table F

Sl. No.	Interest and finance charges	FY 19 P&L as per Audited Accounts	Amount in Rs. Crore	
			FY 19 Regulatory accounting P&L	Revenue GAP
1	Interest on loan capital - at actual	2.00	2.00	2.00
2	Normative Interest on excess equity investment in GFA	-	1.06	1.06
3	Normative Interest on working capital	-	0.68	0.68
4	Interest on consumers deposit	0.24	0.24	0.24
	Total	2.24	3.98	3.98

e. Tax Expense:

- i. The deferred tax liability arising out of difference in rates of depreciation under Income Tax Act, 1961 and CERC notified rates for licensed activity

assets is recognized as deferred tax liability and provision is made for Rs.0.09 Crore for FY 19.

- ii. We request the Hon'ble Commission to kindly take note of the deferred tax liability for FY 19.

Deferred tax liability – Provided in books of accounts	Rs. 0.09 in Crore
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- iii. Further, we would like to bring to the kind attention of the Hon'ble Commission that since the deferred tax liability is only a charge on P&L statement and does not represent actual outgo of tax in FY 19.

Thus, the charge of deferred tax Rs.0.09 Crore is not considered for arriving at the Revenue deficit of FY 19 and hence, the deferred tax is not proposed for recovery from the consumers.

- f. Return on Equity:

- i. The clause 3.9 of KERC (Terms and Conditions for Determination of Tariff for Distribution and Retail sale of Electricity) Regulations, 2006 considers and allows RoE restricting to 30% GFA.
- ii. The allowable Return on equity for FY 19 is calculated as under

STATEMENT SHOWING DETAILS OF RoE FOR FY 19	
Particulars	Amount Rs. in Cr
The Gross equity share capital as on 01.04.2018 is	35.55
Opening balance of accumulated deficit under Reserves & Surplus	(3.13)
Opening balance of Net Equity	32.42
Normative equity at 30% of the opening GFA	19.55
RoE @ 15.5%	3.03

Thus, we request the Hon'ble Commission to allow us the RoE of Rs.3.03Crore for FY 19.

- III. As per the above item-wise submissions of revenue and expenditure the revenue deficit of FY 19 stands at Rs.2.92 Crore.

IV. As per the KERC order for FY 19 we have absorbed the revenue deficit of Rs.2.92 Crore and thus, there arises no shortfall for APR FY 19 (**please refer to Statement of Revenue Requirement & Revenue GAP**).

V. Summary and Analysis of APR FY 19:

- a. MSEZL has managed the business within the efficiency parameters set by the Hon'ble Commission viz., the controllable expenses and distribution loss %.
 - For FY 19, the Hon'ble Commission has allowed an ARR – controllable expense of Rs.11.34 Crore vis-à-vis we have incurred Rs.11 Crore.
 - For FY 19, the Hon'ble Commission has fixed the distribution loss of 1.40% and we have met the target by maintaining the distribution loss at 1.05%.
- b. Further, we would like bring to the kind attention of the Hon'ble Commission that in APR for FY 17 the power purchase cost was trued-up and increased by Rs.0.61 Cr [and the same was paid to MESCOM – kindly refer para 4.4.2.1]. However, only Rs.0.40 Cr was allowed to be carried forward into the ARR for FY 19. Thus, the net increase in uncontrollable cost by Rs.0.20 Cr has contributed to the increase in revenue deficit.

VI. Proposal for APR FY 19:

- i. As per the statement of Revenue Requirement and Revenue GAP there is no shortfall in revenue for APR FY 19 and thus, no proposal arises for the same.
- ii. **If the Hon'ble Commission upon truing up the power purchase cost for APR FY 19 approves any increase and directs MSEZL to pay the increased power purchase cost to MESCOM then the power purchase cost, being the direct uncontrollable cost, should be fully allowed for recovery from the consumers only.**
- iii. **We submit and request the Hon'ble Commission that for the recovery of the increased power purchase cost of APR FY 19, the power purchase cost should not be carried forward and added to the ARR FY 21. The Hon'ble Commission may rather allow the increased power purchase cost to be recovered from consumers as 'one time recovery', in proportion to the energy consumed by the respective consumers in FY 19. This would ensure equitable recovery from all the consumers and average cost of supply of FY 21 is not unduly increased.**

5. Technical forecast for FY 21

A. Sales:

1. In the MYT filing for FY 21, we have estimated a demand of 29 MVA and sales projections of 56.17 MUs considering the (i) consumers who have commenced their operations and (ii) new consumers, who are yet to commence operations.
2. We have re-estimated the energy sales at 57.22 MUs, an upward revision of 1.05 MUs, after evaluating the energy consumption of new consumers who have commenced operations in FY 20 and those consumers who would commence operations in FY 21.
3. The category wise demand and sales projections for FY 21 is as under:

Sl. No.	Consumer category	FY 21	
		MVA	MUs
1	HT Industrial – 33 KV	30.3	51.89
2	HT Industrial – 11 KV	4.85	4.90
3	HT Construction	-	-
4	LT Industrial	0.15	0.43
5	Total	35.3	57.22

b. Distribution Loss:

1. In the MYT filing for FY 21, we had estimated a total distribution loss of 1.21%. Considering the actual distribution loss position at FY 19 and FY 20 we have re-estimated the distribution loss at 1.16%.

c. Power purchase:

1. In the MYT filing for FY 21, we had estimated energy (at IF point) demand of 56.86 MUs, after considering energy requirement & distribution loss of 56.17 MUs & 1.21% respectively.
2. We have re-estimated the total power demand from MESCOM, as under, considering the revised energy requirement and distribution loss.

Sl. No.	Particulars	FY 21
1	Energy demand -in MVA	35.3
2	Energy Sales - in MUs	57.22
3	Distribution loss – in %	1.16%
4	Energy at IF point – in MUs	57.89

d. Capital Investment:

- i. In the MYT filing for FY 21, we had considering the consumers load growth and energy requirement proposed for augmentation of substation capacity in FY 22. Currently, based on the current consumer load requirement, we are not proposing the substation augmentation in FY 21.
- ii. However, going forward during the FY 21 we would reassess additional load growth and energy requirement of the consumers and may undertake the substation augmentation and bring to the kind notice of the Hon'ble Commission.

6. Revision of ARR for FY 21

6.1 Power Purchase Cost:

- i. The Hon'ble Commission in the MYT tariff order dated 30.05.2019 for FY 21 has approved a power purchase cost at interface point Rs.6.513/unit, from MESCOM.
- ii. Accordingly, the Hon'ble Commission has approved total power purchase cost at Rs.37.03 Crore considering (i) energy at IF point 56.86 MUs and (ii) distribution loss at 1.21%.
- iii. We have re-estimated power purchase cost for FY 21 as under, considering revised energy sales and distribution loss.

Statement Showing calculation of Power Purchase Cost for FY 21					
Year	Sales in MUs	Distribution Loss in %	Energy at IF point in MU	PP rate at IF point Rs. per unit	Total power purchase Cost Rs. in Cr
FY 21	57.22	1.16%	57.89	6.513	37.70

- iv. **Thus, we seek an upward revision in power purchase cost by Rs.0.67 Crore and request the Hon'ble Commission to approve a total power purchase cost of Rs.37.70 Crore from MESCOM.**
- v. **If the Hon'ble Commission determines and approves power purchase rate higher than Rs.6.513/unit then (i) the revised power purchase cost should be approved with a consequential increase in FY 21 ARR and (ii) the consequential increase in the ARR needs to be fully compensated through a corresponding and consequential increase in the end retail tariff from consumers.**
- vi. We are paying FAC to MESCOM as per the FAC tariff orders. The FAC cost is a *pass through cost* and thus, the same is not factored in the total power purchase cost, as above (please refer Form D1).
- vii. Besides, FAC recovered from consumers is not included in the average realization rate (please refer Form D2).

6.2 Operation and Maintenance Expenses:

- i. We had under MYT filing for FY 21 claimed O&M expenses of Rs.1.58 Crore.
- ii. The Hon'ble Commission as per the provisions of MYT regulations calculated the allowable normative allowable O&M expenses for FY 21 at Rs.2.47 Crore. However, considering the submission made by us the Hon'ble Commission has approved the O&M expenses at Rs.1.58 Crore.
- iii. We have reassessed the normative O&M for FY 21 considering:
 - a) Base year cum cost: The O&M expenses of the base year as per the audited accounts for FY 19 at Rs.1.46 Crore.
 - b) The weighted inflation index of 8.276%.
 - c) The three year CAGR of consumers.
 - d) Efficiency factor at 0.5% as considered in earlier control periods.
- iii. The table showing the normative allowable O&M expenses FY 21 is as under:

Particulars	FY 16	FY 17	FY 18	FY 19	FY 20	FY 21
No. of installations	9	15	21	25	25	24
Consumer Growth rate-CAGR			28.28%	28.28%	10.02%	6.58%
Weighted inflation index (WII)			8.276%	8.276%	8.276%	8.276%
Base year O&M cost – Rs. in Cr.				1.46		
Normative O&M index = $O\&M(t-1) * (1+WII-X)$						1.685
O&M allowed for MYT FY 21 – Rs. in Crore						1.58
O&M allowable and claimed for FY 21 - Rs. in Crore						1.58

- iv. Thus, we seek no revision in the O&M expenses of Rs.1.58 Crore approved under MYT filing for FY 21 and request the Hon'ble Commission to allow Rs.1.58 Crore as FY 21 O&M expenses.

6.3 Depreciation:

- i. We had under MYT filing for FY 21 had claimed depreciation charge of Rs.2.84 Crore.
- ii. The Hon'ble Commission as per the provisions of MYT regulations calculated the normative allowable depreciation for FY 21 as Rs.2.84 Crore.
- iii. Since, major additional capex works is not envisaged in FY 21, **except for any replacement/spare purchases**, the opening and closing GFA balance for FY 21 would remain the same.
- iv. The table showing the computation of depreciation FY 21 is as under:

Statement Showing Details of Depreciation for FY 21						
Sl. No.	Particulars	GFA as at 31.03.2020 – Rs. in Cr	GFA as at 31.03.2021 Rs. in Cr	Average GFA – Rs. in Cr.	Rate (%)	Depreciation – Rs. in Cr.
1	Building	2.84	2.84	2.84	3.34%	0.09
2	Civil -Roads	0.87	0.87	0.87	3.34%	0.03
3	Substation	21.28	21.28	21.28	5.28%	1.01
4	UG Cables	35.92	35.92	35.92	5.28%	1.71
5	Others				-	
Total depreciation charge claimed						2.84

- v. Thus, we seek no revision in the depreciation charge of Rs.2.84Crore approved under MYT filing for FY 21 and request the Hon'ble Commission to allow Rs.2.84 Crore as FY 21 depreciation charge.

6.4 Interest on loan:

- i. The weighted average interest rate on loan for FY 20 is 8.8% p.a. and thus, we have for FY 21 retained the same rate of interest. The Hon'ble Commission has calculated the allowable interest for MYT filing FY 21 at 9% p.a.
- ii. Also, we would like bring to kind notice of the Hon'ble Commission that the interest rate movement is subject to various economic factors and thus, while truing APR for FY 21 we would work out the interest cost with the actual weighted average rate of interest incurred by us and submit the same for consideration.
- iii. We are not proposing any new borrowing of capital loan for FY 21.
- iv. We have considered the actual capital loan repayment of Rs.0.71 Cr for FY 21.
- v. The table showing the computation of allowable interest for FY 21 is as under:

Table A

Sl. No.	Particulars	FY 21 – Amt Rs. in Cr	Remarks
1	Opening balance	23.87	Refer Form A-2 & Form D-9 for FY 21 of the current tariff filing
2	Add: New loans	-	Refer Form D-9 for FY 21 of the current tariff filing
3	Less: Repayments	0.71	Refer Form D-9 for FY 21 of the current tariff filing
4	Total loan at the end of the year	23.16	Refer Form A-2 & Form D-9 for FY 21 of the current tariff filing
5	Average loan	23.515	
6	Rate of interest %	8.8%	
7	Interest on capital loan (5*6)	2.069	

- vi. The Hon'ble Commissions tariff regulations allow normative interest on equity in excess of 30% of gross fixed assets. The table showing the computation allowable normative interest is as under.

Table B

Sl. No.	Particulars	Amount in Rs. Crore
1	Opening balance of GFA	67.16
2	30% of GFA (eligible for allowance of RoE)	20.15
3	Opening balance of equity	32.42
4	Equity in excess of 30% of GFA (3-2)	12.27
5	Allowable interest in %	8.8%
6	Allowable normative interest	1.079

- vii. The total interest on capital loan for FY 21 vis-à-vis the total amount of interest approved by Hon'ble Commission under MYT filing for FY 21 is as under:

Table C

Sl. No.	Particulars	Rs. in Crore	
		FY 21	Approved as per MYT filing for FY 21
1	Interest on capital loan – Table A, above	2.069	2.01
2	Interest on normative loan Table B, above	1.079	1.106
3	Total interest claim	3.148	3.116

viii. Thus, we seek an upward revision in interest on loan by Rs.0.032 Crore and request the Hon'ble Commission to allow Rs.3.15 Crore as interest on capital loan for FY 21.

6.5 Interest on Working Capital Loan:

- i. We have considered one year SBI MCLR rate effective as on 10.11.2019 plus 250 basis points for interest on working capital loan at 10.50% p.a.
- ii. The Hon'ble Commission in the MYT filing for FY 21 has approved interest on working capital at 11% p.a.
- iii. The table showing allowable interest on working capital vis-à-vis the interest allowed by Hon'ble Commission under MYT filing FY 21 is as under:

Table A

Sl. No.	Particulars	FY 21 – Rs. in Crore	Approved as per MYT filing for FY 21 – Rs. in Crore
A	O&M expenses for one month	0.13	0.13
B	Opening gross fixed assets	67.16	67.16
C	Spares at 1% on GFA at the beginning of the year (B*1%)	0.67	0.67
D	Receivables equivalent to 2 months avg. billing	8.24	8.286
E	Total working capital (A+C+D)	9.04	9.086
F	Rate of interest (% p.a.)	10.50%	11%
G	Interest on Working capital (E*F)	0.96	1.00

iv. Thus, we seek a downward revision in working capital interest by Rs.0.04 Crore and request the Hon'ble Commission to allow Rs.0.96 Crore as interest on working capital loan for FY 21.

6.6 Interest on Consumer Deposits:

- i. In FY 20, new consumers have given request for a contract demand of 12.60 MVA and we have collected fresh security deposits of Rs.2.053 Crore.
- ii. Currently, we are not envisaging additional security deposits for FY 21 and thus, the opening and closing security deposit outstanding would remain same.
- iii. The RBI bank rate as at 01.04.2019 is 6.5% p.a. and we have considered the same for computation of allowable interest on consumer deposit for FY 21.

- v. The table showing allowable interest on consumers deposits vis-à-vis the interest approved by Hon'ble Commission under MYT filing FY 21 is as under:

Table A

Sl. No.	Particulars	FY 21 – Rs. in Crore	Allowed as per MYT filing for FY 21 – Rs. in Crore
1	Consumer deposits as at 1.04.2020	6.2	3.81
2	Consumer deposit as at 31.03.2021	6.2	3.81
3	Average consume deposit (1+2)/2	6.2	3.81
4	Rate of Interest	6.5%	6.5%
5	Allowable interest	0.40	0.25

- vi. Thus, we seek an upward revision in interest on consumer's deposits by Rs.0.15Crore and request the Hon'ble Commission to allow Rs.0.40 Crore as interest on consumers deposit for FY 21.

6.7 Return on Equity:

- i. We had under the MYT filing for FY 21 claimed a RoE of Rs.3.12 Crore.
- ii. The Hon'ble Commission as per the provisions of MYT regulations approved a RoE of Rs.3.12 Crore.
- iii. We have assessed the RoE for FY 21 as under:-

Table A

Sl. No.	Particulars	FY 21 Rs. in Cr
A	Opening balance of equity	35.55
B	Opening balance of accumulated deficit under Reserves & Surplus	(3.13)
C	Opening balance of Net Equity	32.42
D	Opening balance of gross fixed assets	67.16
E	Normative equity at 30% of the opening GFA (D*30%)	20.148
F	RoE @ 15.5%	3.12

- iv. Thus, we seek no revision in the RoE of Rs.3.12 Crore approved under MYT filing for FY 21 and request the Hon'ble Commission to allow Rs.3.12 Crore as RoE for FY 21.

6.8 Taxes on Income:

- i. MSEZL being a SEZ developer is under a tax holiday period u/s.80-IAB. However, in case any tax (MAT) becomes payable, the same will be claimed during the true-up exercise.
- ii. The deferred tax liability/asset is to account for the tax liability on accrual basis. There being no consequent cash outgo for the period the same is not considered in the 'Form RR GAP' for arriving at the net revenue surplus/deficit.

6.9 Interest income on security deposit:

- i. We had under the MYT filing for FY 21 claimed an interest/other income of Rs.0.26 Crore. However, the Hon'ble Commission under MYT filing for FY 21 approved the other income of Rs.0.40 Crore.
- ii. Considering the additional security deposit made with MESCOM for Rs.0.52 Cr in FY 20, we have calculated interest income for FY 21.
- iii. The table showing calculation of interest income on security deposit for FY 21 is as under:

Table A

Sl. No.	Particulars	FY 21 – Rs. in Crore
1	Security deposit with MESCOM as at 31.03.2019	3.85
2	Additional security deposit made in FY 21	0.52
3	Total security deposit with MESCOM as at 31.03.2020 (1+2)	4.37
4	Security deposit as at 31.03.2021	4.37
5	Average security deposit (3+4)/2	4.37
3	Rate of Interest	6.5%
4	Allowable Interest income (5*3)	0.28

- iv. We do not envisage any 'other income' for FY 21.
- v. Thus, we seek downward revision in interest income on security deposits by Rs.0.12 Crore and request the Hon'ble Commission to allow Rs.0.28 as other income for FY 21.

It is submitted before the Hon'ble Commission to duly consider the revision of ARR for FY 21, as above. The detailed workings in formats A1 to D24 is presented as annexure to these filings.

7. Revised ARR for FY 21

Rs. in Crore

Ref Form- No	PARTICULARS	Revised ARR
	POWER PURCHASE (MU)	57.89
T1/D1	ENERGY AVAILABLE AT INTERFACE POINTS)	57.89
T2/D2	ENERGY SOLD	57.22
	DISTRIBUTION LOSS (%)	1.16%
	INCOME	
T2/D2	REVENUE FROM SALE OF POWER	48.47
T3/D3	TARIFF SUBSIDY FOR BJ/KJ & IP SETS	
T3/D3	REV SUBSIDIES & GRANTS	
T4/D4	OTHER INCOME	0.28
	TOTAL	48.75
	EXPENDITURE	
T1/D1	PURCHASE OF POWER	37.70
T5/D5	REPAIRS & MAINTENANCE	0.82
T6/D6	EMPLOYEES COSTS	0.48
T7/D7	ADM & GENERAL EXPENSES	0.28
T8/D8	DEPRECIATION AND RELATED DTS	2.84
T9/D9	INTEREST & FINANCE CHARGES	4.50
	SUB-TOTAL	
T10/D10	LESS: EXPENSES CAPITALISED:	
	SUB-TOTAL	
T11/D11	OTHER DEBITS (incl. Bad debts)	
T12/D12	EXTRAORDINARY ITEMS	
	TOTAL EXPENDITURE	46.62
	PROFIT (LOSS) BEFORE TAX	2.13
	PROVISION FOR TAXES	
	Current Tax	-
	Deferred Tax	0.54
	PROFIT (LOSS) AFTER TAX	1.60
T13/D13	NET PRIOR PERIOD Debits/Credits	
	RETURN ON EQUITY	3.12
	GAP	(1.52)

8. Tariff Revision Proposals for FY 21

A. On APR FOR FY 19:

- i. As per the statement of Revenue Requirement and Revenue GAP there is no shortfall in revenue for APR FY 19 and thus, no proposal arises for the same.
- ii. If the Hon'ble Commission upon truing up the power purchase cost for APR FY 19 approves any increase and directs us to pay the increased power purchase cost to MESCOM; then the power purchase cost, being a direct uncontrollable cost, should be fully allowed for recovery from the consumers only.
- iii. We submit and request the Hon'ble Commission that for the recovery of the increased power purchase cost of APR FY 19, the power purchase cost should not be carried forward and added to the ARR FY 21. The Hon'ble Commission may rather allow the increased power purchase cost to be recovered from consumers as 'one time recovery', in proportion to the energy consumed by the respective consumers in FY 19. This would ensure equitable recovery from all the consumers and average cost of supply of FY 21 is not unduly increased.

B. On Revision of ARR for FY 21

- i. Based on inputs and information given in Chapter 6, as above, the (i) net revised ARR for FY 21 vis-à-vis the net approved ARR under MYT FY 21 and (ii) cost category wise break-up, is as under:

Table A

Sl. No.	Particulars	Revised ARR – Rs. Crore	Approved ARR Rs. Crore	Variance (+/-)
A	Power purchase units (in MUs)	57.89	56.86	1.03
B	Energy sales units (in MUs)	57.22	56.17	1.05
C	Distribution loss (%)	1.16%	1.21%	
D	Power cost at Rs.6.513/unit	37.70	37.03	0.67
E	O&M Expenses	1.58	1.58	-
F	Depreciation	2.84	2.84	-
G	Interest on capital loan	3.15	3.12	0.03
H	Interest on working capital loan	0.96	1.00	(0.04)
I	Interest on consumers deposits	0.40	0.25	0.15
J	Return on Equity	3.12	3.12	-
K	Gross ARR (D+E+F+G+H+I+J)	49.74	48.94	0.80
L	Other interest income	0.28	0.40	(0.12)
M	Net ARR (K-L)	49.46	48.54	0.92
N	Average cost of supply/unit (M/B)	8.64	8.64	

Table B:
Cost category wise break-up:

Amount in Rs. Crore				
Sl. No.	Particulars	Revised ARR	Approved ARR	Variance (+/-)
A	Uncontrollable cost	37.70	37.03	0.67
B	Controllable cost	11.76	11.51	0.25
C	Total cost stack-up	49.46	48.54	0.92

C. Summary for revision of ARR and tariff for FY 21:

i. Factors contributing to revision of ARR:

Uncontrollable cost: Power purchase cost:

- The Hon'ble Commission has approved the Net ARR for MYT FY 21 with an increase in the power purchase cost by Paise 29/unit and accordingly has determined the average cost of supply at Rs.8.642/unit.
- As discussed in para 6(i) (iv) and shown in Table B above, the increase in power purchase cost [compared to approved ARR] by Rs.0.67 Crore has necessitated in the revision of ARR for FY 21.
- Thus, the proposal for revision in ARR and tariff thereon for FY 21 is considering the fact that there is a basic increase in uncontrollable cost by Paise 29/unit and cost thereof by Rs.0.67 Crore.
- **If the Hon'ble Commission determines and approves FY 21 power purchase rate higher than Rs.6.513/unit then (i) The ARR needs to be correspondingly increased and (ii) The consequential increase in the ARR needs to be fully compensated through a corresponding and consequential increase in the end retail tariff from consumers.**

Controllable cost: Distribution cost

- As detailed in Chapter 6 and table A, as above, the controllable cost has increased by Rs.0.26 Crore due to (i) increase in interest on consumer's security deposit by Rs.0.14 Crore and (ii) reduction in other interest income by Rs.0.12 Crore.
- The proposal for revision in ARR and tariff thereon for FY 21 is after considering an increase in distribution cost by Rs.0.26 Crore.

D. Proposal for recovery of revenue deficit:

- i. The existing revenue from charges (ERC) for FY 21 is as under:

Table C:

Amount in Rs. Crore

Sl. No.	Particulars	Details	Remarks
1	The average realization rate per kWh from existing charges	8.471	Refer Form D21
2	Projected energy sales in MUs for FY 21	57.22	Refer Form D2
3	ERC for FY 21 (1*2) – Rs. in Crore	48.47	Refer Form D21 and D2

- ii. The revenue deficit for FY 21:

Table D:

Sl. No.	Particulars	Amount Rs. in Cr	Remarks
1	Net approved ARR for FY 21	48.54	Table A, above
2	ERC for FY 21	48.47	Table C, above
3	Short fall in Revenue (1-2)	0.07	
4	Add: Net revision in ARR for FY 21	0.92	Table A above
5	Revenue deficit to be recovered for FY 21 (3+4)	0.99	Refer RR -GAP

- iii. To recover the revenue deficit of Rs.0.99Crore on an estimated sales of 57.22 MUs, an increase of Paise 18/unit is required.
- iv. Thus, we are proposing **an increase in energy charges of Paise 18/unit, across all the category of consumers.**

E. Tariff category and rates Proposed for FY 21

We are proposing before the Hon'ble Commission the retail supply tariff for FY 21 as under:

Table A

STATEMENT SHOWING TARIFF CATEGORY AND RATES AS EXISTING									
Sl. No.	Tariff Category	Type of installation	No. of consumers	Sanctioned load (MVA)	Consumption MUs	PARTICULARS	RATE (Rs)	AMOUNT (Rs. Cr)	Realisation/Unit
1	HT	Industrial	16	35.15	56.79	Demand Charges/KVA	210	7.53	8.48
						Energy Charges	7.15	40.61	
2	HT	Construction	-	-	-	Demand Charges/KVA	260	-	-
						Energy Charges	10.60	-	
3	LT	Industrial	8	0.15	0.43	Fixed Charges/KW	200	0.03	7.44
						Energy Charges	6.65	0.29	
4	LT	Construction	-	-	-	Fixed Charges/KW	240	-	-
						Energy Charges	10.60	-	
Total (HT +LT)				35.30	57.22			48.47	8.471

Table B

STATEMENT SHOWING TARIFF CATEGORY AND RATES AS PROPOSED									
Sl. No.	Tariff Category	Type of installation	No. of consumers	Sanctioned load (MVA)	Consumption MUs	PARTICULARS	RATE (Rs)	AMOUNT (Rs. Cr)	Realisation/Unit
1	HT	Industrial	16	35.15	56.79	Demand Charges/KVA	210	7.53	8.65
						Energy Charges	7.33	41.61	
2	HT	Construction	-	-	-	Demand Charges/KVA	260	-	-
						Energy Charges	10.77	-	
3	LT	Industrial	8	0.15	0.43	Fixed Charges/KW	200	0.04	7.67
						Energy Charges	6.82	0.29	
4	LT	Construction	-	-	-	Fixed Charges/KW	240	-	-
						Energy Charges	10.77	-	
TOTAL (HT+LT)				35.30	57.22			49.46	8.64

F. On Wheeling Charges and Cross Subsidy Surcharge:

For the MYT control period FY 20 to FY 22 wheeling charges, the Hon'ble Commission decided that the wheeling charges as determined for MESCOM shall be applicable to us. We request the Hon'ble Commission to continue the same proposition for FY 21.

9. Prayer

Mangalore SEZ Limited with the averments made in the respective Chapters of the present application duly detailing the revision of annual revenue requirement and expected revenue from the existing tariff charges, respectfully prays the Hon'ble Commission to:-

1. Pass appropriate order for FY 19 based on APR detailed and submitted in chapter 4 read with chapter 8.
2. Consider the revision of annual revenue requirement for FY 21 detailed and submitted in chapter 6.
3. Consider tariff revision proposal and tariff structure for FY 21 detailed in the Chapter 8.
4. Condone any error, omissions and deletions in the petition and give a chance to provide any other necessary information as deemed fit by the Commission.
5. Pass appropriate orders on the application made by Mangalore SEZ Limited.

For **Mangalore SEZ Limited**

Place: Mangalore

Date: 22.11.2019

Authorized Signatory