MANGALORE SEZ LIMITED

Annual Performance Review for FY 2017-18 Annual Revenue Requirement for the Distribution and Retail Supply Business for the Control Period FY 2019-2020 to FY 2021-2022 and Tariff Petition for FY 2019-2020

FILED ON 29th November, 2018

Submitted to

KARNATAKA ELECTRICITY REGULATORY COMMISSION

By
MANGALORE SEZ LIMITED

29th November, 2018

BEFORE KARNATAKA ELECTRICITY REGULATORY COMMISSION
AT BANGALORE

BEFORE KARNATAKA ELECTRICITY REGULATORY COMMISSION AT BANGALORE

Fling No__________
Case No_________

IN THE MATTER OF

An Application for approval for Annual Performance Review for FY 207-18 and Annual Revenue Requirement and Expected Revenue from Charges (ERC) for wires and supply business of Mangalore SEZ Limited, Mangalore for the Fifth control period covering the financial years 2019-20, 2020-21 and 2021-22 and approval of tariff filing for FY 2019-20 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 50 years, Chief Operating 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. The Managing Director, Mangalore SEZ Limited has accorded the approval on 15th December, 2016 (the powers and authorities of Managing Director are granted by the Board of Directors of Mangalore SEZ Limited in the 2nd Board Meeting held on 8th July, 2006).

3. The statement made in Chapters 1 to 14 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 14 are based on information I believe to be true.

4. Solemnly affirmed at Mangalore on this 22nd November 2018 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: 22.11.2018

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
MRPL	Mangalore Refinery and Petrochemicals Ltd
MSEZ	Mangalore Special Economic Zone
MSEZL	Mangalore SEZ Limited
MUs	Million Units
MVA	Mega Volt Amp
MYT	Multi Year Tariff
O & M	Operation & maintenance
ONGC	Oil & Natural Gas Corporation Limited
OMPL	ONGC Mangalore Petrochemicals Limited
RBI	Reserve Bank of India
R & M	Repairs and Maintenance
RoE	Return on Equity
SEZ	Special Economic Zone
SPV	Special Purpose Vehicle
TDS	Tax Deducted at Source

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N O T E

In this application:

Previous year is defined as Financial Year 2017 – 18
(Referred as FY – 18)

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

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

MYT Period is defined as FY 2019-20 to FY 2021-22
(Fifth Control Period FY 20-22)

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. The Hon'ble Commission has vide Notification dated 06th August, 2018 has notified on fixation for Fifth control period for FY 20 to FY 22.

C. 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 has consistently filed tariff petition for determination of Distribution and Retail Supply Tariff for FY 16, FY 17, FY 18 and FY 19. The Hon'ble Commission has approved the ARR and passed tariff orders for all the respective years and has approved the APR for FY 17.

The content of latest order dated 14th May, 2018 passed for ARR FY 19 is as under:

- The Hon'ble Commission has approved to carry forward the deficit of FY 18 as per Commission's RP-08/2017 order dated 26.10.2017 Rs.3.91 Crore. This includes the FY 16 revenue deficit of Rs.0.60 Crore and FY 18 revenue deficit of Rs.3.31 Crore.

- The Hon'ble Commission through its tariff order dated 14th May, 2018 for FY 19 has concluded that the deficit of Rs.3.91 Crore which ought to been paid by consumers and recovered in FY 18 be recovered from the consumers in proportion to the actual energy consumption by the consumers.
- The Hon'ble Commission has for FY 19, approved a Net ARR of Rs.42.14 Crore (including carry forward revenue deficit of Rs.3.91 Crore).
- The approved retail supply and distribution tariff FY 19 under four categories is **HT Industrial** - Rs.200/KVA and Rs.6.85/kWh for energy charges; **HT Construction** - Rs.240/KVA and Rs.10.00/kWh for energy charges; **LT Industrial** - Rs.190/KVA and Rs.6.35/kWh for energy charges; **LT Construction** - Rs.240/HP and Rs.10/kWh for energy charges.

D. MSEZL is presently filing the APR for FY 18, ARR and ERC for Fifth Control period FY 20 to FY 22 and tariff petition for FY 20.

E. Further, in the APR for FY 18 we have also considered the 26th October, 2017 order read with the tariff order dated 14th May, 2018 for FY 19 to carry forward the FY 18 net revenue deficit of Rs.3.91 Crores as accrued revenue and arrived at the net deficit. The regulatory methodology followed is explained in the later pages.

F. The content of this application is in accordance with the Retail supply tariff guidelines notified by Hon'ble Commission.

G. 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 18 and ARR for FY 20 the information would be placed as additional submissions for the kind consideration of the Hon'ble Commission.

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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%).

Based on the availability of contiguous parcel of land, MSEZ has been notified as a Sector Specific SEZ for Petroleum & Petrochemical sector in 2007, spread over 1620 acres. The development of SEZ will cater to the intermediate petrochemical units and downstream petrochemical industries adjacent to MRPL refinery and the existing aromatics complex of OMPL.

Now, 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	Catasynth Specialty Chemicals
5	Cardolite Specialty Chemicals LLP

6	Trident Infra Private Limited
7	Authentic Ocean Treasure
8	Gadre Marine Export Private Limited
9	Yashaswi Fish Meal & Oil
10	Shree Ulka LLP
11	MSEZL utility installations numbering twelve

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.

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.

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2.3 Map of Existing electrical network

2.4 Consumers Profile as on 31-03-2018

As on 31 March 2018, 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	10	33/11KV	19.865
2	LT - Industrial	5	440 V	0.146
3	HT - Construction	1	11KV	2.0
4	LT - Construction	3	440 V	0.208
	Total	**19**		**22.219**

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3. Segregating Licensed and Non-licensed activities of MSEZL

A. The books of account of MSEZL as at 31st March 2018 is audited and received, considered and adopted by the shareholders in the Annual General Meeting held on 28th September, 2018. From the audited books of account, the financial statement has 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 18 is consistent with the methodology followed for segregation in the earlier tariff petitions filed for FY 16, FY 17, FY18 and FY 19 (Chapter 3 of respective ARR filing). However, where the statutory auditors have suggested a method, which is more scientific to give a true & fair view of presentation of MSEZL books of accounts, the same is followed for preparing and presenting licensed portion of business activity in the P&L account and Balance sheet.

C. The audited financial statement as at 31.03.2018 is enclosed as Annexure I. This set of information is used for preparing and presenting the financials of APR for FY 18 under Form A-2.

D. 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.

E. Besides, MSEZL has availed the services of its statutory auditor to verify and certify the correctness of the methodology followed for segregation of Balance sheet and the P&L pertaining to the licensed activity portion from the overall of audited accounts of the Company for FY 18. The independent report received from the statutory auditor is attached as Annexure II.

In the following table, we have presented the audited figures of the Balance sheet of the MSEZL as at 31st March 2018.

Rs. in Cr.

PARTICULARS	MSEZL Audited Figures as at 31st March 2018
SHAREHOLDER'S FUNDS:	
SHARE CAPITAL	50.00
RESERVES & SURPLUS	20.82
Total	**70.82**
LOAN FUNDS:	
LOANS FROM STATE GOVT	
LOANS FROM OTHERS- SECURED	562.92
LOANS FROM OTHERS- UNSECURED	
FRESH BORROWINGS FOR CAPEX	
Total	**562.92**
CONTRIBUTIONS, GRANTS & SUBSIDIES TOWARDS COST OF CAPITAL ASSETS	18.73
OTHER LONG TERM LIABILITIES	913.23
LONG TERM PROVISIONS	1.50
DEFERRED TAX LIABILITY	40.74
GRAND TOTAL	**1607.94**
APPLICATION OF FUNDS:	
NET FIXED ASSETS:	
a) GROSS BLOCK	1,368.29
b) LESS: ACCUMULATED DEPRECIATION+AAD	95.10
c) NET FIXED ASSETS	**1273.19**
d) CAPITAL WORK IN PROGRESS	170.57
e) ASSETS NOT IN USE	
f) DEFERRED COSTS	
g) INTANGIBLE ASSETS	13.88
SUB TOTAL OF (c) TO (g)	**1,457.64**
INVESTMENTS	0.09
LONG TERM LOANS AND ADVANCES – SECURITY DEPOSIT KEPT WITH MESCOM AND OTHERS	5.21
OTHER NON-CURRENT ASSETS	26.65
OTHERS	0.50
SUB TOTAL	**32.44**
NET CURRENT ASSETS:	
A. CURRENT ASSETS, LOANS & ADVANCES	
a) INVENTORIES	-
CURRENT INVESTMENTS	54.87

b) RECEIVABLES AGAINST SALE OF POWER& OTHER RECEIVABLES	169.79
c) CASH & BANK BALANCES	24.32
d) LOANS & ADVANCES and OTHER CURRENT ASSETS	5.31
e) SUNDRY RECEIVABLES	-
TOTAL OF A	**254.28**
B. CURRENT LIABILITIES AND PROVISIONS:	
a) SECURITY DEPOSIT FROM CONSUMERS	4.06
b) BORROWINGS FOR WORKING CAPITAL	-
c) PAYMENTS DUE ON CAPITAL LIABILITIES	53.26
d) OTHER CURRENT LIABILITIES - D 25	61.15
e) CURRENT MATURITIES OF LONG TERM DEBT	9.89
f) SUNDRY CREDITORS	-
g) PROVISION FOR PENSION, GRATUITY,FBF etc.	8.07
h)PROVISION FOR IT and FBT	
TOTAL OF B	**136.42**
NET CURRENT ASSETS (A - B)	**117.86**
GRAND TOTAL	**1,607.94**

In the following table, the audited balance sheet of MSEZL as at 31st March 2018 segregated into balance sheets pertaining to licensed and Non-Licensed activities is presented before the Hon'ble Commission.

Rs. in Crore

PARTICULARS	MSEZL Audited Figures as at 31st March 2018	Non-Licensed Activity as at 31st March 2018	Licensed Activity as at 31st March 2018
SHAREHOLDER'S FUNDS:			
EQUITY SHARE CAPITAL – (INCLUDING SHARE DEPOSIT)	50.00	50.00	
EQUITY SHARE CONTRIBUTION			35.55
RESERVES & SURPLUS	20.82	23.95	(3.13)
Total	**70.82**	**73.95**	**32.42**
LOAN FUNDS:			
LOANS FROM STATE GOVT			
LOANS FROM OTHERS- SECURED	562.92	538.48	24.44
LOANS FROM OTHERS- UNSECURED			
FRESH BORROWINGS FOR CAPEX			
Total	**562.92**	**538.48**	**24.44**
CONTRIBUTIONS, GRANTS & SUBSIDIES TOWARDS COST OF CAPITAL ASSETS	18.73	18.73	-
OTHER LONG TERM LIABILITIES	913.23	913.23	
LONG TERM PROVISIONS	1.50	1.50	-
DEFERRED TAX LIABILITY	40.74	35.95	4.78
GRAND TOTAL	**1,607.94**	**1,581.85**	**61.63**

APPLICATION OF FUNDS:			
NET FIXED ASSETS:			
a) GROSS BLOCK	1,368.29	1,303.13	65.16
b)LESS:ACCUMULATED DEPRECIATION+AAD	95.10	87.43	7.66
c) NET FIXED ASSETS	**1,273.19**	**1,215.70**	**57.50**
d) CAPITAL WORK IN PROGRESS	170.57	168.61	1.96
e) ASSETS NOT IN USE			
f) DEFERRED COSTS			
g) INTANGIBLE ASSETS	13.88	13.88	-
SUB TOTAL OF (c) TO (g)	**1,457.64**	**1,398.18**	**59.46**
INVESTMENTS	0.09	0.09	
LONG TERM LOANS AND ADVANCES – SECURITY DEPOSIT WITH MESCOM AND OTHERS	5.21	1.36	3.85
OTHER NON-CURRENT ASSETS	26.65	26.65	-
OTHERS	0.50	0.50	-
SUB TOTAL	**32.44**	**28.59**	**3.85**
NET CURRENT ASSETS:			
A. CURRENT ASSETS, LOANS & ADVANCES			
a) INVENTORIES			
CURRENT INVESTMENTS	54.87	54.87	-
b) RECEIVABLES AGAINST SALE OF POWER& OTHER RECEIVABLE	169.79	162.58	7.21
c) CASH & BANK BALANCES	24.32	25.49	(1.17)
d) Share Contribution to Licensed Activity	-	35.55	-
d) LOANS & ADVANCES and OTHER CURRENT ASSETS	5.31	4.98	0.33
e) SUNDRY RECEIVABLES	-	-	-
TOTAL OF A	**254.28**	**283.47**	**6.37**
B. CURRENT LIABILITIES AND PROVISIONS:			
a) SECURITY DEPOSIT FROM CONSUMERS	4.06	-	4.06
b) BORROWINGS FOR WORKING CAPITAL	-	-	-
c) PAYMENTS DUE ON CAPITAL LIABILITIES	53.26	53.08	0.18
d) OTHER CURRENT LIABILITIES - D 25	61.15	57.75	3.40
e) CURRENT MATURITIES OF LONG TERM DEBT	9.89	9.46	0.43
f) SUNDRY CREDITORS	-	-	-
g) PROVISION FOR PENSION, GRATUITY,FBF etc.	8.07	8.07	-
h)PROVISION FOR IT and FBT			
TOTAL OF B	**136.42**	**128.36**	**8.07**
NET CURRENT ASSETS (A - B)	**117.86**	**155.11**	**(1.70)**
GRAND TOTAL	**1,607.94**	**1,581.85**	**61.63**

The Balance sheet for the licensed activity as at 31st March 2018 is prepared considering the Assets viz., Gross fixed assets, CWIP & non- current and current assets and Liabilities viz., equity shareholders' capital, loans & advances, non-current and current liabilities including current Liabilities for long term debt

The method adopted for the preparation and presentation the licensed activity balance sheet as at 31.03.2018 is detailed below.

3.0 Balance Sheet Items:

Fixed Asset

The GFA position as on 31st March 2018 comprises of the followings fixed assets:

Sl. No.	Particulars	Amount Rs. in Cr.
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	21.27
4	Towers, Poles, fixture, overhead conductors, UG cables and devices	33.93
5	Other items/Computers	0.07
6	Other Civil Works - Roads	0.87
	MSEZL - Total	**65.16**

Note: In FY 18 spares such as viz., 10 KV digital insulation tester, battery bank etc worth of Rs.0.13 Crores was purchased and put to use.

Accumulated Depreciation

The accumulated depreciation as at 31st March, 2018 for the above listed fixed assets is Rs.7.66 Crores.

CWIP

The CWIP as at 31st March 2018 is Rs.1.96 Crores. The works being carried out are:-

(i) Extension of 33KV distribution network using 33KV 3R*1C*630 Sq.mm and 1R*1C*240Sq.mm UG cables Rs.1.84 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 Crores: 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 2018 is Rs. 3.85 Crores.

3.2 Current Assets:

a. Receivables against sale of power Rs.7.21 Crore, details are as under:

i. Outstanding dues against the sale of energy in FY 18 Rs.3.30 Crores. These receivables are mainly of the bills raised for the month of March 2018.

ii. The Hon'ble Commission through its RP order No.08/2017 dated 26th October, 2017 and confirmed in tariff order dated 14th May, 2018 for FY 19 has concluded and directed that the FY 18 net revenue deficit of Rs.3.91 Crore which ought to been paid by consumers and recovered in FY 18 be recovered from the consumers. Thus, the revenue of Rs.3.91 Crore being revenue accrued and due for collection in FY 18 is taken as receivables against the sale of power.

b. Cash & Bank Balance: The negative cash and bank balance of Rs. (1.17) Crores is mainly on account of FY 18 revenue accrued but not realized/collected in FY 18 itself Rs.3.91 Crore arising out of the Hon'ble Commission's vide the RP No.08/2017 dated 26th October, 2017 and thus, the cash & bank balance for power business is impacted by lesser revenue collection. The cash/bank or funds for power business is managed to meet the payment obligations through cash/bank balances or funds generated from other business verticals of MSEZL.

c. Other Current Assets includes accrued interest receivable for FY 18 on security deposit kept with MESCOM Rs.0.33 Crores.

3.3 Liabilities:

a. Deposits from Consumers: The consumer deposits as at 31st March 2018 is Rs.4.06 Crores and is classified as a current liability.

b. Payment due on capital liabilities: The payment due to contractor for executing the capital works as at 31st March, 2018 Rs.0.18 Crore is considered here.

c. Other Current Liabilities of Rs.3.40 Crores as at 31st March 2018 includes the monies withheld under contractual terms/work orders awarded towards licensed business activity, statutory liability payable towards TDS, interest payable on consumer security deposits and provision for outstanding expenses.

d. The Current maturities of long-term debt as at 31st March 2018 Rs.0.43 Crores for licensed business activity.

e. 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, 2018 the accumulated liability is Rs.4.78 Crores.

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 Crores** 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 2018 – the total debt stands at Rs.24.87 Crore (Long term debt - Rs.24.44 Crores and current maturities of long term debt- Rs.0.43 Crores) and equity share capital is Rs.35.55 Crores.

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4. Annual Performance Review – FY 18

4.1 The Hon'ble Commission has approved a revised net ARR of Rs.62.33 Crores for FY 18, which includes the net deficit of Rs.0.98 for FY 16 vide the order dated 26th October, 2017. Thus, excluding the deficit of Rs.0.98 Crore, allowed for FY 16 recovery, the ARR for FY 18 would be Rs.61.35 Crore.

4.2 The present APR for FY 18 is submitted considering the actual expenditure incurred during the year.

4.3 **The Hon'ble Commission in the RP-08/2017 order dated 26.10.2017 has approved and has allowed to carry forward the net deficit of FY 18 Rs.3.91 Crore into the ARR for FY 19. This includes the FY 16 revenue deficit of Rs.0.60 Crore and FY 18 revenue deficit of Rs.3.31 Crore.**

4.4 **The Hon'ble Commission through its tariff order dated 14th May, 2018 for FY 19 has concluded and directed that the net revenue deficit of Rs.3.91 Crore which ought to been paid by consumers and recovered in FY 18 be recovered from the consumers in proportion to the actual energy consumption by the consumers. The recovery is *without any carrying cost*.**

4.5 **Thus, the revenue of Rs.3.91 Crore being revenue accrued in FY 18 is taken as 'Revenues from sale of power – for FY 18'. In the FY 18 APR submitted before the Hon'ble Commission the revenue of Rs.3.91 Crore is presented in a separate line item under "Revenue accrued" head.**

4.6 As referred in chapter 3 above, the books of account of MSEZL as on 31st March 2018 is audited. Also, the standalone financial statement of MSEZL's Licensed Activity for FY 18 is audited and an independent audit certificate is issued by the statutory auditors.

4.7 The independent auditor's certificate with the segregated i.e. licensed and Non-Licensed Activity annual financial statements for FY 18 is attached as Annexure II.

4.8 MSEZL is submitting its APR for FY 18 for kind consideration and approval of the Hon'ble Commission.

4.9 The performance of APR for FY 18 is presented under the following heads:

4.4.1 Operating Performance.

4.4.2 Financial Performance.

4.4.1 Operating Performance:

a. Energy Sales:

The category wise actual sales are as follows:

Consumer Category	FY 18 Energy Sales (in MUs)
HT Industrial	41.11
LT Industrial	0.33
HT Construction	0.22
LT Construction	0.14
Total	**41.80**

The energy sale at 41.80 MUs has increased by 2.248 times compared to FY 17 energy sales at 18.6 MUs. The energy sales were less than anticipated levels due to cautious drawing of power from grid by one of our consumers, since their generators are synchronized with grid. The consumer has experienced increased power jerks caused to their generators due disruptions/grid outages at upstream KPTCL grid resulting in production loss and hence, reduced the load from the grid.

b. Power Purchase:

The power purchase from MESCOM at 42.19 MUs has increased by 2.276 times compared to FY 17 power purchase at 18.54 MUs.

Source	Actual Energy in – MUs
MESCOM	42.19

c. Distribution Loss:

i. In FY 18 the 33KV, 11 KV consumers were provided with the following accuracy class meters, CTs and PTs.

Sl. No.	Number of consumers	Accuracy class meter
1	33 KV consumers	0.2S accuracy class trivector energy meter, CTs and 0.2 class PTs
2	11 KV consumer	0.2S accuracy class trivector energy meter, CTs and 0.2 class PTs

ii. As a part of the annual process to maintain the accuracy levels and system parameters of the metering equipment, we have carried out the calibration of the meters at all our consumers end. The calibration was carried out by consultants Power Drive Engineers, Mangalore. The calibration report is attached as Annexure III to the tariff petition. Based on the review it was found that all the consumers' meters errors were within the permissible error limit.

iii. Also, at the IF Point – MESCOM power drawal the metering calibration has been carried out by MESCOM. The MESCOM calibration report is attached as Annexure III to the tariff petition.

iv. The distribution loss for FY 18 was projected and approved at 0.86% as under:

Particulars	**FY 18**
HT 33 KV loss %	0.83
HT 11 KV loss %	0.03
LT Loss %	-
Total loss%	0.86

v. However, the actual distribution for FY 18 stands at 0.93% as under:

Sl. No.	Voltage level	Actual Figures			
		Energy purchase at IF point	Distribution Loss in MUs	Sales in MUs	DL as % on energy at total IF point
1	33KV	39.15	0.36	38.79	0.85
2	11KV	2.70	0.02	2.68	0.05
3	LT	0.34	0.01	0.33	0.03
Total		**42.19**	**0.39**	**41.80**	**0.93**

vi. Thus, we request the Hon'ble Commission to allow the actual distribution loss at 0.93% for FY 18.

4.4.2 Financial Performance:

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

Rs. in Cr.

Ref Form-No	PARTICULARS	FY 18 P&L as per Audited Accounts	**FY 18 Regulatory Accounting**	
			P&L (Form A1)	**RR GAP**
	POWER PURCHASE (MU)	42.19	42.19	42.19
T1/D1	ENERGY AVAILABLE AT INTERFACE POINTS (MU)	42.19	42.19	42.19
T2/D2	ENERGY SOLD (MU)	41.80	41.80	41.80
	DISTRIBUTION LOSS (%)	0.93%	0.93%	0.93%
	INCOME			
T2/D2	REVENUE FROM SALE OF POWER	30.85	30.85	30.85
	Add: Deficit for FY 3.91 Crore (FY 2015-16 Rs.0.60 Crore and deficit for FY 2017-18 Rs.3.31 Crore) has been considered as revenue from sale of power and allowed for recovery from consumers, as per KERC tariff order dated 14.05.2018	3.91	3.91	3.91
T3/D3	TARIFF SUBSIDY FOR BJ/KJ & IP SETS			
T3/D3	REV SUBSIDIES & GRANTS			
T4/D4	OTHER INCOME	0.36	0.36	0.36
	TOTAL	**35.12**	**35.12**	**35.12**
	EXPENDITURE			
T1/D1	PURCHASE OF POWER	25.55	25.55	25.55
T5/D5	REPAIRS & MAINTENANCE	0.70	0.70	0.70
T6/D6	EMPLOYEES COSTS	0.41	0.41	0.41
T7/D7	ADM & GENERAL EXPENSES	0.24	0.24	0.24
T8/D8	DEPRECIATION AND RELATED DTS	2.73	2.73	2.73
T9/D9	INTEREST & FINANCE CHARGES	2.50	4.39	4.39
	SUB-TOTAL	**32.13**	**34.02**	**34.02**
T10/D10	LESS: EXPENSES CAPITALISED:			
	-INTEREST & FINANCE CHARGES CAPITALISED	-	-	-
	-OTHER EXPENSES CAPITALISED	-	-	-
	SUB-TOTAL	**-**	**-**	**-**

T11/D11	OTHER DEBITS (incl. Bad debts)	-	-	-
T12/D12	EXTRAORDINARY ITEMS			
	TOTAL EXPENDITURE	**32.13**	**34.02**	**34.02**
	PROFIT (LOSS) BEFORE TAX	2.99	1.1	1.1
	PROVISION FOR TAXES			
	Current Tax	-	-	-
	Deferred Tax	1.65	1.65	-
	PROFIT (LOSS) AFTER TAX	**1.34**	**(0.55)**	**1.1**
T13/D13	NET PRIOR PERIOD Debits/Credits			
	RETURN ON EQUITY	**3.03**	**3.03**	**3.03**
	REVENUE SURPLUS/(DEFECIT)	(1.69)	(3.58)	(1.94)

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 18 P&L As per Audited Accounts' and 'FY 18 Regulatory accounting'*.

1. 'Interest & Finance Charges' – The statutory auditor has considered and certified for only for the actual interest expense of Rs.2.24 Crores and not the normative interest portion of Rs.1.18 Crore, which is allowed and claimed as per regulatory accounting and
2. The normative interest on working capital Rs.0.70 Crores is claimed only under regulatory accounting interest and finance charges.

A. INCOME

4.4.2.0 Revenue from Sale of Power:

(i) In FY 18, the energy sold is 41.80 MUs and revenue recognized for the period April 2017 to March 2018 is Rs.30.85 Crore. The summary of consumer category wise sales and revenue is as under:

Sl. No.	Consumer Category	Energy Sold in MUs	Revenue – Rs. in Crores
1	HT Industrial	41.11	30.27
2	LT Industrial	0.33	0.21
3	HT Construction	0.22	0.34
4	LT Construction	0.14	0.16
		41.80	**30.98**
5	Add: Delayed payment charges		0.01
6	**Less: Net Rebate (TOD) given to consumers**		**0.14**
	Revenue	**41.80**	**30.85**

	Revenue accrued Revenue accrued of FY 18 carried into FY 19 vide KERC RP Order No.08/2017 dt. 26.10.2017 and confirmed by tariff order for FY 19 dt.14.05.2018		**3.91**
	Total Revenue from sale of power for FY 18	**41.80**	**34.76**

iii. The Hon'ble Commission has in FY 18 tariff order approved TOD facility for the energy consumed by consumers. In FY 18, for the energy sales of 41.80 MUs TOD - rebate given and penalty levied is as under:

Category of consumers	Rebate – Rs. in Cr	Penalty – Rs. in Cr	Net TOD – Rs. in Cr
	A	B	C=A-B
HT 33 KV	1.34	1.21	0.13
HT 11 KV	0.09	0.08	0.01
Total	**1.43**	**1.29**	**0.14**

The rebate being more, the net TOD of Rs.0.14 Crore has impacted the overall revenue from sale of power and contributed to lesser revenue realization. This has impacted and affected the APR, contributing to the overall net revenue deficit.

4.4.2.0a Other Income:

The details of other income areas under:

Sl. No.	**Details**	**Amount Rs. in Crore**
1	Interest income on deposits kept with MESCOM	0.33
2	Supervision charges and others	0.03
	Total	**0.36**

B. EXPENDITURE

4.4.2.1 Power Purchase Cost:

i. We have paid MESOM at a rate of Rs.5.80/unit, being the Hon'ble Commission approved power purchase rate for FY 18. Further, the FAC was also charged by MESCOM from to time during FY 18 and the same is paid.

ii. We have sourced the entire power 42.19 MUs from MESCOM only.

iii. Further, the Hon'ble Commission vide the order dated 08.05.2017 while approving the APR for FY 2015-16 had revised the power purchase cost of

FY 2015-16 and directed MSEZL to pay the differential power purchase cost of Rs.60 lakhs to MESCOM. MSEZL has complied with the directions of Hon'ble Commission and has paid Rs.60 Lakhs to MESCOM on 20.03.2018.

iv. We wish to bring to the attention of the Hon'ble Commission that because of TOD Rebate facility given to our consumers in FY 18 we have incurred an additional power purchase cost Rs.0.14 Crore.

v. There being no TOD on the energy purchased from MESCOM we have, for the energy purchased and sold we have incurred additional power purchase cost in the form of TOD of Rs.0.14 Crore.

The details are as under:

Source	Actual Energy in– MUs	Power Purchase Cost Rs. in Cr.	Average rate Rs./kWh
MESCOM	42.19	25.55**#**	6.05

 # includes Rs.60 lakhs paid to MESCOM as per Hon'ble Commission order dated 08.05.2017 for FY 2015-16.

 # includes FAC charged by MESCOM during FY 18.

While approving the APR for FY 18, in case, the Hon'ble Commission increases the PP cost for FY 18, we request the Hon'ble Commission, to pass orders for recovery of the entire increase in PP cost from the consumers only, as has been done in the previous years. Further, the increased cost payable to MESCOM should be allowed to be reduced by Rs.0.14 Crore, as above.

4.4.2.2 O&M Expenses:

The consolidated O&M expenses comprises of (i) R&M Expense (ii) Employee cost and (iii) A&G Expense. The approach adopted by the Hon'ble Commission while allowing O&M expenses of Rs.1.30 Crore in ARR FY 18 is as follows (reference Page19- Page20 of tariff order FY 18 dated 08th May, 2017):

(i) **Base year and Cost:** The FY 16 actual O&M expenses of Rs.1.13 Crore was considered as the base year and cost for allowing the O&M expenses of Rs.1.30 Crore.

(ii) **Inflation index:** The FY 16 base year cost of Rs.1.13 Crore was escalated by weighted inflation index of 7.71% and efficiency factor of 0.50% to arrive at the allowable O&M expenses for FY 18.

(iii) **Consumer growth:** The increase in number of installations in FY 18 from FY 17 to FY 18 – 100% increase, as projected, was taken note off. However, the Hon'ble Commission was of the view that such increase cannot be considered upfront for computation of consumer growth. However, the Hon'ble Commission had decided to consider the same while truing up the expenses for FY 18.

The above approach, adopted by the Hon'ble Commission, considered with fresh set of facts and information is as under:

(i) **Base year and Cost:** The Hon'ble Commission has validated and trued up APR for FY 17 vide the tariff order dated 14th May, 2018 and has approved an O&M expenditure of Rs.1.22 Crore for FY 17.
Hence, the base year and cost would be of FY 17 O&M expenditure of Rs.1.22 Crore.

(ii) **Inflation index:** The Hon'ble Commission has validated and trued up APR for FY 17 vide the tariff order dated 08th May, 2018 and has considered an weighted inflation index of 8.1059% for FY 17.
Hence, the weighted inflation index for calculation would be 8.1059%.

(iii) **Consumer growth:** The increase in number of installations in FY 18 is 100% compared to FY 17 (FY 18 – 19 installations Vs. FY 17 – 9 installations).
Hence, the consumer growth rate- CAGR 25.99% (as calculated in Table 5 Page 20 of FY 18 tariff order) would have to be now considered.

Thus, the allowable O&M expenses for FY 18 would as under:

Particulars	FY 16	FY 17	FY 18	Actual O&M expenses
No. of installations	9	9	19	19
Consumer Growth rate-CAGR			25.99%	
Weighted inflation index		7.71%	8.1059%	
Base year O&M cost – Rs. in Cr.	1.13	1.22		
O&M expenses – Rs. in Crore			1.3445	1.35

The actual O&M expenses incurred for FY 18 Rs.1.35 Crore being close and range bound to allowable O&M cost of Rs.1.3445 Crore, we request the Hon'ble Commission to allow Rs.1.35 Crore as the O&M expense for FY 18.

The O&M expenses comprises of the following expense:

i. R&M includes expenses like GSS outsourced manpower cost, consumables, testing charges, servicing of electrical instruments, KPTCL & CEIG statutory charges, inspection charges and etc.
ii. 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.
iii. Employee Cost includes the share of direct employee cost and shared Corporate Service Employee cost.

4.4.2.3 Depreciation:

In accounting depreciation charge for FY 18, MSEZL has adopted the rates as per Annexure III of CERC Notification 2009.

In FY 18 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 per the depreciation rates notified by CERC.

The depreciation charge of Rs.2.73 Crore is calculation is as under:

Statement Showing Details of Depreciation Charge for FY 18				
Particulars	Opening Balance of GFA as on 01.04.2017	Closing Balance of GFA as on 31.03.2018	Rate of Deprecia tion%	Depreciation allowance in Rs. Cr
Lease hold assets	6.17	6.17	-	-
Licensed Activity Building-Housing the Grid Substation	2.84	2.84	3.34%	0.09
Towers, Poles, fixture, overhead conductors, UG cables and devices-Package 2	33.89	33.93	5.28%	1.61
Plant and Machinery Substation Transformers, Circuit breakers, other fixed apparatus of rating 100 MVA and below	21.18	21.27	5.28%	1.00
Roads	0.87	0.87	3.34%	0.03
Other items	0.07	0.07		-
Total	**65.02**	**65.15**		**2.73**

Note: (i) Depreciation charge is calculated at 90% of average GFA i.e. (opening GFA *plus* closing GFA)/2.

Thus, we request the Hon'ble Commission to allow the depreciation charge of Rs.2.73 Crore.

4.4.2.4 Interest & Finance Charges:

- <u>Interest on Loan Capital</u>

The FY 18 interest of capital loan Rs.3.43 Crore is worked as under.

Table A

Sl. No.	Particulars	Details	Remarks
1	Weighted Average rate of interest on term loan – per annum	9%	As per Table C below
2	Average borrowing for licensed activity – Rs. in Crores	25.01	As per Table B below
3	Actual Interest charge for FY 18 – Amount in Rs. in Crores (1*2)	2.25	
4	Normative Interest claim on excess equity investment in GFA – Amount in Rs. in Crores	1.18	As per Table E below
5	Total interest claim on loan as per regulatory accounting (3+4) – Amount in Rs. Crores.	3.43	

Table B

Amount Rs. in Crore

Sl. No.	Particulars	As at 31.03.2018	As at 31.03.2017	Remarks
1	Long term capital loan	24.44	24.87	Refer Form A-2 & Form D-9 of the current tariff filing
2	Current maturities of long term loan	0.43	0.28	Refer Form A-2 & Form D-9 of the current tariff filing
3	Total Outstanding	24.87	25.15	
4	**Average Borrowings**		**25.01**	

The Weighted Average Interest on term Loans of MSEZL for FY 18 is as under:

Table C

Sl. No.	Particulars	Details	Remarks
1	Interest on Term loan Paid (A) - Amount in Rs.	51,78,68,376	Refer 'Cash flow statement' in Annual Financial Statements – Annexure II
2	Average Borrowings – Amount in Rs.	5,759,561,026	Refer Table D, below
3	Weighted Average rate of interest on term loan – per annum (1/2*100) for FY 18	9%	

Table D

Amount in Rs.

Sl. No.	Particulars	As at 31.03.2018	As at 31.03.2017	Remarks
1	Long term capital loan	5,728,071,409	5,791,050,643	Refer Annexure I – Note 22
2	**Average Borrowings**		5,759,561,026	

In connection with the interest claim of Rs.2.25 Crore, we would like to draw the attention of the Hon'ble Commission to the following points:-

a) The interest on loan capital is computed based on the weighted average rate of interest for FY 18 i.e.9% p.a. (Table C).

b) The quantitative details in Table C and Table D are based on the MSEZL audited annual accounts for FY 18, which is attached as Annexure I.

c) The loan outstanding for licensed activity is based on licensed activities average of opening and closing loan balances, as admitted [in Form A2 and Form D9] by the Hon'ble Commission in the earlier years ARR and tariff petitions. Accordingly, the average loan balance for FY 18 works out to Rs.25.01 Crores (Table B).

d) There are no fresh/new loans considered for licensed activity business in FY 18.

e) The existing loan balances in Balance sheet for licensed activity is based on debt balances at 46% (Refer Para 3.4 in Chapter 3) and interest as computed above on average debt balance of 46% i.e.Rs.25.01 Crore works to Rs.2.25 Crore.

- **<u>Normative Interest on Loan Capital: Calculation</u>**

The clause 3.6 of KERC (Terms and Conditions for Determination of Tariff for Distribution and Retail sale of Electricity) Regulations, 2006 considers and allows the equity amount in excess of 30% GFA as being used to finance the acquisition of assets and allows interest thereof. The following are the workings for normative interest claim on excess equity capital.

Table E

Sl. No.	Particulars	Amount in Rs. Crores	Remarks
1	Normative debt outstanding as at 01.04.2017 – Rs. in Crores	13.12	Refer D-9 for FY 18 of the current tariff filing
2	Normative debt outstanding as at 31.03.2018 – Rs. in Crores	12.97	Refer D-9 for FY 18 of the current tariff filing
3	Average debt balance (1+2)/2 – Rs. in Crores	13.045	
4	Weighted average rate of interest on term loan – per annum	9%	
5	Normative interest on excess equity investment – Rs. in Crores	1.18	Refer D-9 for FY 19 of the current tariff filing

- Normative Interest on Working Capital:

A calculation table showing the normative interest on working capital claim is as under.

Sl. No.	Parameters	Calculation	Normative O&M claimed
1	Operation and maintenance for one month – Rs.1.35 Cr for FY 18 as per APR	Rs.1.35 Cr/12 Months	Rs.0.11 Cr
2	Spares at 1% on GFA at the beginning of the year – GFA as at 01.04.2017 is Rs.65.03 Crore	Rs.65.03 Cr * 1%	Rs.0.65 Cr
3	Receivables equivalent to two months average billing – Revenue for FY 18 Rs.30.85 Cr	(Rs.30.85 Cr*2 Months)/12 Months –	Rs.5.14 Cr
4	Total working capital requirement **- A**		Rs.5.90 Cr
5	RBI base as on 01.04.2017 plus 250 basis points **- B**		12%
6	Normative working capital claimed(A*B)		Rs.0.70 Cr

- Interest on Consumers Deposits:

i. Interest on consumers deposit Rs. 0.26 Crore is calculated as per the KERC (Interest on Security Deposits) Regulations, 2005. The details are as under:

Sl. No.	Amount of security deposit outstanding as at 31.03.2018	Period	Interest @ *6.75% p.a	Remarks
1	Rs.3,64,84,565	365 days	Rs.0.25 Cr	Total amount of deposit as on 01.04.2017

2	Rs.40,80,955	Proportionate period	Rs.0.01 Cr	Deposit amount accepted during FY 18
3	**Rs.4,05,65,520**		**Rs.0.26 Cr**	

ii. The bank rate as on 01.04.2017 is **6.75% per annum**.

iii. The interest on consumers deposit Rs.0.26 Crore is charged to P&L account and also, a provision for interest payable in made FY 18 audited books of account.

Thus, we request the Hon'ble Commission to allow us the actual Interest on consumers' deposits of Rs.0.26 Cr for FY 18.

- **The statement on summary of interest and finance charge is as under:**

Table F

Amount in Rs. Crores

Sl. No.	Interest and finance charges	FY 18 P&L as per Audited Accounts	FY 18 Regulatory accounting	
			P&L	Revenue GAP
1	Interest on loan capital - at actual	2.24	2.25	2.25
2	Normative Interest on excess equity investment in GFA	-	1.18	1.18
3	Normative Interest on working capital	-	0.70	0.70
4	Interest on consumers deposit	0.26	0.26	0.26
	Total	**2.50**	**4.39**	**4.39**

4.4.2.5 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.1.65 Crores for FY 18.

ii. We request the Hon'ble Commission to kindly take note of the deferred tax liability for FY 18.

Deferred tax liability – Provided in books of accounts	Rs. 1.65 in Crore

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 18.

Thus, the charge of deferred tax Rs.1.65 Crore is not considered for arriving at the Revenue deficit of FY 18 and hence, the deferred tax is not proposed for recovery from the consumers.

4.4.2.6 Return on Equity:

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.

For APR FY 18 the RoE is worked out on normative equity of 30% on GFA as on 31.03.2018 i.e.Rs.65.16 Crores.

STATEMENT SHOWING DETAILS OF RoE FOR FY 18	
Particulars	**Amount** Rs. in Cr
The actual equity share capital as on 31.03.2018 is	35.55
Equity Share Capital as per KERC norms – GFA as at 31.03.2018 is Rs.65.16 Crore * 30%, normative equity	19.509
RoE @ 15.5%	3.03

We request the Hon'ble Commission to allow us the RoE of Rs.3.03 Crore for FY 18.

4.10 As per the above item-wise submissions of revenue and expenditure for FY 18 the revenue deficit of FY 18 stands at Rs.1.94 Crores.

4.11 **SUMMARY: APR for FY 18**

a) MSEZL has managed the power distribution business within the efficiency parameters set by the Hon'ble Commission in the approved tariff. The Hon'ble Commission has allowed an ARR (for FY 18) – Controllable expenses of Rs.11.86 Crores against which MSEZL has incurred and is claiming a controllable expense of Rs.11.14 Crores.

b) In FY 18, we have given a total rebate of Rs.1.43 Cr and also levied total penalty of Rs.1.29 Cr. The rebate being more by Rs.0.14 Crore (Rs.1.43 Cr minus

Rs.1.29 Cr) has impacted the overall revenue from sale of power and contributed to lower revenue realization. This has affected our APR for FY 18 and is one of the reasons contributing to the overall net revenue deficit.

c) The Hon'ble Commission vide order dated 08.05.2017 while approving the APR for FY 2015-16 had revised the power purchase cost of FY 2015-16 and directed us to pay the differential power purchase cost of Rs.60 lakhs to MESCOM. MSEZL had paid Rs.60 Lakhs to MESCOM on 20.03.2018 and is included in the power purchase cost.(Refer Form D1 and para 4.4.2.1 above).

d) The FY 2015-16 power purchase cost of Rs.60 lakhs, being a direct and uncontrollable cost, is allowed by the Hon'ble Commission vide **its RP order dated 26th October, 2017 and tariff order dated 14th May, 2018** for recovery from consumers in FY 19.

e) The additional power purchase cost of Rs.60 lakhs being paid in FY 18 is allowed for recovery in FY 19 only and hence, there being no corresponding collection in FY 18 it has affected and contributed to the FY 18 cash deficit.

f) The FY 18 net revenue deficit of Rs.1.94 Crores is after considering the recovery of Rs.3.91 Cr pertaining to FY 18 revenue.

4.12 Proposal for Recovery of FY 18 revenue deficit of Rs.1.94 Crores:

The power distribution business is experiencing an increase in demand especially from new consumers and hence, we expect the business parameters to register a strong and robust growth in the form of energy sales.

Overall, considering the business of our consumers as paramount, we propose for the recovery of FY 18 revenue deficit of Rs.1.94 Crores as under:

Sl. No.	Particulars	Amount in Rs. Crores	Remarks
1	**Un controllable cost:** Revenue shortfall on account of TOD Collections	0.14	The revenue shortfall on account of energy purchase (arising due to TOD) to be fully proposed for recovery.
2	RoE gap	1.80	The balance revenue deficit of Rs.1.80 Crore is fully foregone.
	Total	**1.94**	

<u>Uncontrollable Cost – Power Purchase cost:</u>

If the Hon'ble Commission upon truing up the power purchase cost for FY 18, approves any increase and directs MSEZL to pay to MESCOM, the entire increase power purchase cost then, should be allowed to be recovered from the consumers fully as is being done in the past.

Also, the uncontrollable cost – revenue shortfall on account of TOD facility being a direct cost should be allowed for recovery fully:

a. Either through recovery in the ARR of FY 20, as expenditure.

OR

b. As an adjustment to the increase, if any, in the FY 18 power purchase cost.

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5. Revised Estimates for FY 19

A. The revised ARR for FY 19 is as under:

Rs. in Cr.

Particulars	Approved ARR	Provisional ARR
Power Purchase in MUs	**45.32**	**42.64**
Sales in MUs	**44.69**	**42.18**
Distribution Loss (%)	**1.47%**	**1.08%**
Power Purchase	26.90	25.35
FY 17 power purchase cost paid as per tariff order dt.14.05.2018 – Rs.0.61 Cr **Less:** Gap in revenue for FY 17(APR) allowed for recovery in FY 19 ARR (Rs.0.40 Cr)	-	0.21
O&M Expenses	1.45	1.46
Depreciation	2.75	2.81
Interest on capital loan **(2)**	3.20	3.17
Int. On Working capital	0.70	0.71
Int. On consumer security deposit	0.22	0.24
RoE	3.02	3.03
Gap in revenue for FY 17 (APR)	0.40	-
Less: Other income	(0.40)	(0.24)
Total Net ARR	**38.24**	**36.73**
Expected Revenue from charges/tariff		**33.04**
Revenue Deficit		**3.69**

1) The approved ARR cost stack up is based on the Hon'ble Commission's tariff order dated 14th May, 2018.
2) The Hon'ble Commission vide its tariff order dated 14th May 2018 for FY 19 trued up the APR for FY 17 and directed us to pay Rs.0.61 Crores towards revised power purchase of FY 17 to MESCOM and the same was paid to MESCOM on 25.06.2018.
3) The Hon'ble Commission had trued up the FY 17 APR and allowed to carry forward only net APR of Rs.0.40 Cr (Rs.0.60 Cr increase in PP cost minus the Rs.0.20 Cr decrease in O&M cost) into the ARR of FY 18.
4) The estimated total energy sales of 42.18 MUs are based on actual energy consumption pattern upto October 2018.

5) Capitalization of capex works Rs.1.96 Crore: The Chief Electrical Inspector to Government of Karnataka has approved the system for commissioning of 33 KV lines/cables w.e.f.04 July, 2018. Accordingly, the capex works of Rs.1.96 Crore is capitalized in books of accounts and depreciation, RoE and interest on debt loan relating to the asset capitalization is claimed.

B. After the closure of the accounts for FY 19, the Company would be in a position to know the exact gap. The management of MSEZL would then examine the financial impact of this on the various stake holders and come back to the Hon'ble Commission with the true up application, for a decision on the recovery of the revenue gap. MSEZL considers the interest of its consumers as paramount and would like to minimize the impact of any increases, if it can be mitigated by the efforts required from it.

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6. Sales Forecast

6.1 MSEZL has developed multi product SEZ (MSEZ) over an area of 1620acres. Currently, the combined contracted demand of 27 MVA is from the following mix of consumers:

i. The contracted demand from the existing consumers i.e. who have already commenced their operations is 16.45 MVA.

ii. Further, we have sanctioned power of 10.55 MVA to four new consumers i.e. consumers who are in various stages of construction. These consumers are expected to draw energy starting FY 20.

6.2 The five year demand/sales projections, based on the current information, is as under:

i. The basis of projections:

a) <u>Existing consumers, who have commenced their production process:</u>
The daily average energy consumption pattern in FY 17 and FY 18 is analyzed for understanding these consumers energy requirement. Accordingly, the actual energy sales made in FY 17 and provisional energy estimation of FY 18 is together considered for determining the projected energy sales for FY 20.

b) <u>New Consumers, who are yet to commence production:</u>
The consumers have projected their likely construction activity in FY 20 and also their energy requirement. We have considered their projections to estimate the projected energy sales in FY 20.

c) In respect of sales estimation for FY 21, FY 22, FY 23 and FY 24 we have made estimation based on FY 20 energy sales estimation.

d) Also, we have considered the incremental increase in energy requirement from new consumers, whom we believe would be firmly into full production phase.

ii. Table A – Year wise demand and sales projections:

Sl. No.	Year	No of Consumers	Demand in MVA	Energy in MUs
1	FY 20	23	27	50.54
2	FY 21	23	29	56.17
3	FY 22	23	32	59.63
4	FY 23	23	34.5	63.72
5	FY 24	23	37	65.47

iii. Table B- Category wise demand and sales projections:

Sl. No.	Type of consumer category	FY 20		FY 21		FY 22		FY 23		FY 24	
		MVA	MUs	MVA	MUs	MVA	MUs	MVA	MUs	MVA	MUs
1	HT Industrial – 33 KV	21.5	45.92	23.5	52.10	27.49	55.56	29.99	59.65	32.49	61.4
2	HT Industrial – 11 KV	4.35	3.67	5.35	3.67	4.36	3.67	4.36	3.67	4.36	3.67
3	HT Construction	1	0.55	-	-	-	-	-	-	-	-
4	LT Industrial	0.15	0.40	0.15	0.40	0.15	0.40	0.15	0.40	0.15	0.40
5	**Total**	**27**	**50.54**	**29**	**56.17**	**32**	**59.63**	**34.5**	**63.72**	**37**	**65.47**

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7. Capital Investment Plan

7.1 We have completed the extension of distribution network for arranging power supply to all the consumers who have requested for power and taken up construction in their premises to avail power.

7.2 However, during the MYT control period if any new consumers intend to set up industry in MSEZ (which cannot be now envisaged) and apply for power, we would have to incur capital expenditure to extend distribution networks for rendering power supply. Any such future capital expenditure will be brought to the notice of the Hon'ble Commission in the respective year's tariff filing.

7.3 Based on the present consumers load growth and energy requirement it is proposed to augment grid station capacity during FY 22 and complete the work in FY 23. This would be necessitated as existing 40 MVA transformer would be fully loaded by FY 22 and a new 20 MVA transformer may have to be provided.

7.4 The details of capex is as under:

Rs. in Cr

Sl. No.	Description of work	Amount of capex	
		FY 22	FY 23
1	Augmentation of 110/33/11KV substation –GSS-03 by providing additional 20MVA,110/33KV power transformer and other connected equipments	1.25	1.25

7.5 Any major replacement of an asset, if any taken up during the year as part of substation operations would be considered for capex and brought before the attention of the Hon'ble Commission.

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8. Distribution Loss Trajectory

8.1 Current Profile of Distribution Loss:

Distribution loss in electrical network comprises of technical loss and commercial loss. In view of the fact that the distribution system of MSEZL is very compact and confined to an area of about 1638Acres only and there are only limited numbers of consumers, thereby there is no scope for the occurrence of commercial loss. Power to all the consumers of MSEZL is catered from 2X20MVA, 110/33/11KV Substation (GSS-03) which is located almost at the load centre of MSEZL, there by the voltage drops and power loss occurring in the distribution system is bare minimum. MSEZL has also taken care to provide adequate size cables to all the distribution feeders and distribution network connected various 33KV and 11KV RMUs further to minimise the voltage drops and power loss occurring in the distribution system.

8.2 Distribution Loss Calculation:

i. The distribution loss for the energy input recorded at various voltage levels at the respective IF points and energy recorded at consumers end in FY 18 and April 18 to October 18 is as under:

Particulars	FY 18			April 18 – Oct 18		
	Sales in MUs	Loss in MUs	Loss in %	Sales in MUs	Loss in MUs	Loss in %
33KV loss %	38.79	0.36	0.85	22.94	0.19	0.76
11KV loss %	2.68	0.02	0.05	2.09	0.06	0.22
LT loss %	0.33	0.01	0.03	0.35	0.003	0.01
Total Loss %	**41.80**	**0.39**	**0.93**	**25.38**	**0.25**	**0.99**

ii. During the above periods, the same consumers with the same distribution network configuration were availing power with the same consumption patterns and hence, the average loss recorded during the period is 0.96%.

iii. We have based for determination of expected distribution loss % in the MYT control period we have considered (a) the above base distribution loss 0.96% and (b) expected growth in energy sales and extension of distribution network.

8.3 The voltage wise and year wise distribution loss is as under:

i. Table A

Particulars	FY 20	FY 21	FY 22	FY 23	FY 24
33KV loss %	0.83	0.90	0.90	0.99	0.99
11KV loss %	0.30	0.30	0.30	0.30	0.30
LT loss %	0.02	0.02	0.02	0.02	0.02
Total Loss %	**1.15**	**1.21**	**1.21**	**1.31**	**1.31**

ii. Basis of Determination:

- FY 20: We are expecting four new consumers to get connected to the gird with estimated contract demand of 10.55 MVA and energy requirement of 4.25 MUs. These new consumers are connected to grid with 3RX630Sq.mm, 33KV UG cable of 4.6Kms length and 3CX240Sq.mm, 33KV UG cable of 2.5KMs length. Considering (i) the base distribution loss and (ii) additional distribution network and energy delivered to these new consumers we have determined a total distribution loss of 1.15%.

- FY 21: We are expecting a construction category consumer to get permanent power supply and connect to the grid with estimated contract demand of 1.25 MVA and energy requirement of 2.25 MUs and would be connected to the grid 3CX240Sq.mm, 33KV UG cable of 500Mtrs. We expect the additional loss from this consumer to be at 0.05% and we have considered a total distribution loss of 1.21%.

- FY 22: With the same consumers with the same distribution network configuration were availing powers with the same consumption patterns as of FY 21 we expect the distribution loss to be at 1.21% only.

- FY 23 & FY 24: We are anticipating the consumers to step up their consumption from the present levels and for which we may need to install one number of additional 20 MVA, 110/33KV power transformer. Thus, we have considered a total distribution loss at 1.31%

Note: The detailed computation of voltage wise loss as part of energy flow diagram is shown in D19

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9. Power Procurement Plan

9.1 As at the date of filing this tariff application, MSEZL has not identified any sources for supply of power other than MESCOM. However, from the view of five year perspective plan we may explore a reliable and cost efficient power procurement plan after (i) weighing the pros and cons of alternate sources (ii) upon concretizing the same, we would approach and place it for necessary approval before this Hon'ble Commission.

9.2 The five year power requirement, based on the current information, is as under:

i. The statement showing details of energy requirement is as under.

Table A

Sl. No.	Particulars	FY 20	FY 21	FY 22	FY 23	FY 24
1	Energy demand - in MVA	27	29	32	34.5	37
2	Energy Sales - in MUs	51.13	56.86	60.36	64.57	66.34
3	Distribution loss – in %	1.15%	1.21%	1.21%	1.31%	1.31%
4	Energy Requirement – in MUs	50.54	56.17	59.63	63.72	65.47

ii. The statement details of cost of power purchase is as under:

Table B

Statement Showing Details of Power Purchase Cost for MYT FY 20 – FY 24					
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 20	50.54	1.15	51.13	5.936	30.35
FY 21	56.17	1.21	56.86	5.936	33.75
FY 22	59.63	1.21	60.36	5.936	35.83
FY 23	63.72	1.31	64.57	5.936	38.33
FY 24	65.47	1.31	66.34	5.936	39.38

iii. The Hon'ble Commission has for FY 19 approved a power purchase rate from MESCOM at Rs.5.936/unit considering the overall power purchase cost for the State of Karnataka. Since we do not have the wherewithal to determine such cost structure, we could not factor the possible increase/decrease in PP rate and hence, the FY 19 PP rate/unit itself is taken to calculate the PP cost for the period five year period.

iv. The FAC charged form time to time, by MESCOM, are not factored while considering the PP rate since these rates are approved by the Hon'ble Commission for each quarter and also vary from quarter to quarter.

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10. MYT Filing Common Issues

10.1 Segregation of fixed assets – Methodology followed

The capital expenditure booked is clearly identifiable as per the general ledger heads maintained by the Company. Voltage class wise segregation of fixed assets except land, buildings and civil works is made based on the exact nature and type of fixed asset. In respect of land, building and civil works it is apportioned at 60% for 33 KV and 40% for 11 KV based on their use.

Since, the licensed activity assets are capitalized in FY 16, which is also the first full year of commercial operations segregation percentage of FY 16 is considered for all the years prepared and presented in ARR.

Following table shows the composition of fixed assets for FY 17.

Sl. No.	Asset Type	33 KV	11 KV	LT	Retail Supply
1	Leasehold Land	3.70	2.47	0.00	0.00
2	Building and civil works	2.23	1.49	0.00	0.00
3	Plant & Machinery	35.08	22.08	0.00	0.00
4	Vehicles	0.00	0.00	0.00	0.00
5	Furniture's & Fixtures	0.00	0.00	0.00	0.00
6	Office Equipments	0.00	0.00	0.00	0.00
7	Other Items	0.04	0.03	0.00	0.00
	Total	**41.06**	**26.06**	**0.00**	**0.00**
	Percentage	**58%**	**42%**	**0%**	**0%**

10.2 Apportionment of expense – Methodology followed

Forum of Regulators had commissioned a study on "Standardization of Regulatory Accounts". The consultants have submitted their final report in 2012 (which is available in the FOR website). As per their recommendation, segregation of distribution business ARR into Wires business and supply business can be done as follows till such time the respective Electricity Regulatory Commissions review and customize the allocation ratios as proposed by the distribution licensed, depending on the cost structure of the respective licensed.

"Wires Business is the business of owning and operating of the distribution system, while Retail Supply Business is the business of procuring the requisite power through long term, medium-term, and short-term power purchase contracts for supplying to its consumers.

1. In case the appropriate Commission has specified the basis of allocation of expenses between Wires Business and Retail Supply Business in the notified Tariff Regulations, the same shall be considered for allocation of the expenses of the Distribution License.
2. In case the notified Tariff Regulations do not specify any basis for allocation of expenses between Wires Business and Retail Supply Business, the Distribution License shall follow a consistent basis of allocation ratios for apportionment of different components of Distribution ARR into Wires Business and Supply Business, after approval of the same by the appropriate Commission. The allocation ratios on which the different components of Distribution ARR may be apportioned are listed below. However, these allocation ratios may be reviewed and customised, depending on the cost structure of the respective Distribution License.

a. **"Power Purchase/Transmission/SLDC Expenses –** All these expenses relate to the Supply Business. Therefore, these should be allocated to Supply Business ARR.

b. **Employee Expenses:** Direct employees for Wires Business and Supply Business should be identified first and Employee Expenses related to these direct employees should be allocated to respective businesses. Thereafter, all common Employee Expenses relating to employees working for both the businesses can be apportioned between Wires Business and Supply Business using the allocation principles discussed for apportionment of common Employee Expenses. However, till t**he time the segregation is complete, the Dis**tribution Licensed may apportion the Employee Expenses between Wires Business and Supply Business using an appropriate ratio. Since more employees are employed for Wires Business and the employees who work for Supply Business are lower as compared to Wires Business, the proportion of employee cost allocated to Wires business should be higher than the proportion allocated to Supply business (say, 60:40, or 70:30).

c. **Repair and Maintenance Expenses:** Cost of spares, fuel etc. and cost of services related to wires business and supply business need to be separately recorded. Thus all direct R&M Expenses related to Wires Business and Supply Business should be allocated to the respective businesses. Thereafter all common R&M expenses can be apportioned between Wires Business and Supply Business using the allocation principles discussed for apportionment of common R&M Expenses. However, until the time the segregation is complete, the Distribution License may apportion the R&M Expenses between Wires Business and Supply Business in the ratio 90:10.

d. **Administration and General Expenses:** All expenses like rents, electricity charges, water charges, internet charges, office upkeep, insurance charges etc. relating to offices for distribution business should be allocated to Supply Business, while that relating to distribution sub-stations/receiving stations should be allocated To Wires Business. Rates and taxes, Freight, and other purchase related expenses need to be allocated based on the goods purchased – whether for Wires Business or for Supply Business. All other A&G expenses, which are common to both Wires Business and Supply Business, can be apportioned using the allocation principles discussed for apportionment of common A&G Expenses. However, until the time the segregation is complete, the Distribution License may apportion the A&G Expenses using the ratio 50:50.
e. **Depreciation:** Major portion of assets of Distribution License would be relating to Wire Business, as sub-stations, HT and LT lines are for wheeling of electricity. Only the service connections and consumer meters, which are in the books of Distribution license, should be allocated to Supply Business. Thus if asset class wise break up of assets relating to Wires Business and Supply Business are available, then depreciation relating to direct assets of Wires Business and direct assets of Supply Business should be allocated to respective businesses. Depreciation on any common asset, if any can be apportioned between Wires Business and Supply Business using the allocation principles discussed for apportionment of common depreciation. However, if only the overall asset break-up between Wires business and Supply business is available, then the depreciation has to be apportioned in the same ratio. Until the time the segregation is complete, the Distribution License may apportion depreciation for distribution business in the ratio 90:10.

f. **Interest on Loans:** All new loans availed by the License should be separate for Wires Business and Supply Business, based on the funding of the assets for Wires Business and Supply Business. In this way, interest on loans for Wires Business and Supply Business will be clearly identifiable and these should be allocated to respective businesses. Other interest charges, which are common to both Wires Business and Supply Business, should be apportioned using the allocation principles discussed for apportionment of common Interest and Finance Expenses. However, till the time the segregation is complete, the Distribution License may apportion interest on loans between Wires Business and Supply Business in the ratio 90:10.

g. **Interest on Working Capital:** All new Working Capital loans availed by the Distribution License should be separate for Wires Business and Supply Business. In this way, interest on Working Capital loans for Wires Business and Supply Business will be clearly identifiable and these should be allocated to respective businesses. Other interest on Working Capital which is common to both Wires Business and Supply Business can be apportioned using the ratio 10:90, as major portion of Working Capital loans belongs to supply business.

h. **Interest on Security Deposit:** Security deposits are collected by Distribution License from the consumers for supplying electricity to them; hence, the interest on Security Deposits should be allocated entirely to the Supply Business.

i. **Provision for Bad Debts:** Major part of bad debts relates to supply business. However, as it is not exactly possible to separate the bad debts between Wires Business and Supply Business, these expenses, if any can be apportioned between Wires Business and Supply Business using the ratio 10:90.

j. **Return on Equity:** RoE for both the businesses should be allowed based on the Equity invested separately for both the functions. Common RoE, if any should be apportioned between Wires Business and Supply Business using the allocation principles discussed for apportionment of common RoE. In case equity invested for both the functions cannot be segregated clearly or till the time the segregation is complete, RoE can be apportioned between Wires Business and Supply Business using the proportion of GFA between Wires Business and Supply Business or using a suitable ratio, say 90:10.

k. **Income Tax:** Tax is a function of profit earned, i.e. return of a business, therefore, it should be apportioned on the basis of RoE related to Wires Business and Supply Business, as discussed for apportionment of Income Tax.

l. **Non-Tariff Income:** Non-Tariff Income resulting from meter rent, delayed payment charges, service connection charges etc. should be allocated to Supply Business, while income resulting from sale of scrap etc. should be allocated to Wires Business. Other common items of Non-tariff Income, if any can be apportioned using the allocation principles discussed for apportionment of revenues. However, till the time the segregation is complete, the Distribution License may apportion the Non-Tariff Income between Wires Business and Supply Business using the ratio 10:90."

Based on the above recommendations, pending a detailed study, we have used the following ratio for allocation of costs.

Allocation ratios proposed between wires and supply business				
Sl. No.	Description	Wires business	Supply business	Total %
1	Power purchase cost	0%	100%	100%
2	R&M expenses	90%	10%	100%
3	Employee cost	70%	30%	100%
4	A&G expenses	50%	50%	100%
5	Depreciation	90%	10%	100%
6	Interest on Loans	90%	10%	100%
7	Interest on consumer security deposit	0%	100%	100%
8	Interest on working capital	10%	90%	100%
9	Provision of bad debts	10%	90%	100%
10	RoE	90%	10%	100%
11	Non- tariff income	10%	90%	100%

Allocation of expenses within the wires business is made as under: -

Segregation of percentage with in wires business					
Sl. No.	Description	33 KV	11 KV	LT	Total
1	R&M expenses	55%	35%	0%	90%
2	Employee cost	43%	27%	0%	70%
3	A&G expenses	31%	19%	0%	50%
4	Depreciation	55%	35%	0%	90%
5	Interest on Loans	55%	35%	0%	90%
6	Interest on working capital	6%	4%	0%	10%
7	Provision of bad debts	6%	4%	0%	10%
8	RoE	55%	35%	0%	90%
9	Non- tariff income	6%	4%	0%	10%

Distribution percentage with in wires business					
Sl. No.	Description	33 KV	11 KV	LT	Total
1	R&M expenses	61%	39%	0%	100%
2	Employee cost	61%	39%	0%	100%
3	A&G expenses	61%	39%	0%	100%
4	Depreciation	61%	39%	0%	100%
5	Interest on Loans	61%	39%	0%	100%
6	Interest on working cap.	61%	39%	0%	100%
7	Provision of bad debts	61%	39%	0%	100%
8	RoE	61%	39%	0%	100%
9	Non- tariff income	61%	39%	0%	100%

Regulatory environment where all the income and expenses are trued up to actual (except a few items like O&M costs which are allowed as per indexation, distribution loss levels limited to approved loss %), scope achieving higher gains are limited. However, MSEZL proposes to share the gains and losses equally with its consumers.

10.3 Proposals for efficiency parameter targets

Since HT consumers constitute a significant portion of network, MSEZL would endeavor to achieve the prescribed standards of reliability and quality parameters. The regulatory reporting requirements of KERC would be complied by MSEZL by providing technical and financial data/information from time to time.

10.4 Proposals for rewarding efficiency in performance

We request Hon'ble Commission to issue necessary guidelines in this regard.

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11. ARR for Distribution Wires & Supply Business for MYT control period FY 20, FY 21 and FY 22

11.1 Power Purchase Cost:

The Hon'ble Commission in previous tariff orders has approved a retail power purchase rate from MESCOM as follows:-

Sl. No.	Tariff Orders	Rate per unit
1	Tariff Order Dated 03rd March, 2015 – For FY 16	5.25
2	Tariff Order Dated 30th March, 2016- For FY 17	5.61
3	Tariff Order Dated 08th May, 2017 – For FY 18	5.80
4	Tariff Order Dated 14th May, 2018 – For FY 19	5.936

i. The Hon'ble Commission for computing the power purchase cost of FY 19 has proceeded to consider the total purchase cost of the State of Karnataka, excluding Hydro power, as the basis to arrive at the average cost of power purchase at the generation and added Rs.1 per unit towards grid support charges, trading margins and energy handling charges arrive at the power purchase cost of Rs.5.936/kWh at the interface point payable to MESCOM. This PP cost per unit includes trading charges payable to MESCOM besides charges payable to KPTCL, PGCIL, SLDC and POSOCO.

ii. As explained in Chapter 9, the power supply is to be sourced from MESCOM and we request the Hon'ble Commission to determine the PP cost for MYT control period FY 20 to FY 22 and for Tariff petition FY 20, in same method as adopted by the Hon'ble Commission for FY 19.

iii. For determining and calculating the PP cost for MYT Control Period FY 20 to FY 22 and Tariff Petition FY 20, we have taken Rs.5.936/unit as the PP rate.

Statement Showing Details of Power Purchase Cost for MYT FY 20 – FY 22

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 20	50.54	1.15	51.13	5.936	30.35
FY 21	56.17	1.21	56.86	5.936	33.75
FY 22	59.63	1.21	60.36	5.936	35.83

iv. If the Hon'ble Commission approves PP rate higher than Rs.5.936/kWh the consequential increase in the ARR needs to be fully compensated through a corresponding and consequential increase in the end tariff from our consumers.

v. Further, MSEZL is also currently paying FAC at 4 paise to MESCOM as per the FAC tariff order dated 14.09.2018. As the FAC cost is a pass through cost the same is not factored in the PP cost above (Refer Form D1). Besides FAC recovered from consumers is not included in the average realization rate of MSEZL (Refer Form D2).

11.2 Operation and Maintenance Expenses:

i. In determining the FY 20 O&M expenses, the following aspects are considered:-

- The O&M expenses of FY 18 are the base year for computing the O&M expenses, since FY 18 is the latest audited accounts available and thus, the actual O&M expenses Rs.1.35 Crore is based for determining MYT periods O&M expenses.
- The compounded annual growth rate (CAGR) of the number of installations as per the audited accounts upto FY 18 and as projected for the MYT filing period.
- The weighted inflation index (WII) at 8.1059% as computed by the Hon'ble Commission in its FY 18 tariff order dated 14th May, 2018 at page 29.
- For the purpose of MYT control period also we have considered the WII of 8.1059% and the base year & cost as per previous period i.e.
  - For FY 21 the base year and cost being FY 20 and Rs.1.47 Crore.
  - For FY 22 the base year and cost being FY 21 and Rs.1.58 Crore.
- However, we wish to bring to the kind information of the Hon'ble Commission that for the MYT control period we have not considered the inflationary impact of the respective years on the base WII of 8.1059%.
- The table showing the computation of O&M expenses for MYT control period FY 20 to FY 22 is as under:

Particulars	FY 16	FY 17	FY 18	FY 20	FY 21	FY 22
No. of installations	9	9	19	23	23	23
Consumer Growth rate-CAGR			25.99%			
Weighted inflation index		7.71%	8.1059%	8.1059%	8.1059%	8.1059%
Base year O&M cost – Rs. in Cr.				1.35	1.47	1.58
O&M expenses – Rs. in Cr.			1.35	1.47	1.58	1.71

ii. Thus, we request the Hon'ble Commission to allow Rs.1.47 Cr for FY 20, Rs.1.58 Cr for FY 21 and Rs.1.71 Cr for FY 22.

11.3 Depreciation:

i. The value base of asset for the purpose of depreciation is the historical cost of the asset.

ii. The depreciation for the purpose of ARR is computed as per the notified rates on the 90% average value of gross assets at the beginning and closing period of the financial year. The computation details are as under.

Statement Showing Details of Depreciation for FY 20 ARR						
Sl. No.	Particulars	GFA as at 31.03.2019 – Rs. in Cr	GFA as at 31.03.2020 Rs. in Cr	Average GFA – Rs. in Cr.	Rate (%)	Depreciation – Rs. in Cr.
1	Building	6.17	6.17	6.17	3.34%	0.09
2	Civil -Roads	0.87	0.87	0.87	3.34%	0.03
3	Substation	21.27	21.27	21.27	5.28%	1.01
4	UG Cables	35.89	35.89	35.89	5.28%	1.71
5	Others				-	
Total depreciation charge claimed for ARR						**2.84**

i. It may be noted that no major additional capex works are envisaged until FY 22; **except for any replacement/spare purchases**, the GFA balance as on 31.03.2020 is considered and assumed to remain constant through the control period FY 20 to FY 22.

ii. The GFA for the MYT control period FY 20 to FY 22 remaining the same the depreciation charge of Rs.2.84 Crores for FY 20 would remain same for FY 21 and FY 22 also.

iii. **However, at the time of filing the actuals for APR's FY 20, FY 21 and FY 22 the depreciation charge based on the actual gross fixed assets position would be claimed accordingly**.

iv. Thus, we request the Hon'ble Commission to allow us the depreciation charge of Rs.2.84 Crores for MYT control period FY 20 to FY 22.

11.4 Interest and Finance Charges:

i. The Hon'ble Commission tariff regulations of clause 3.7 allows for the purposes of ARR interest rate at lower (a) RBI base rate plus 200 basis points or (b) weighted average rate of loan proposed.

ii. We wish to inform the Hon'ble Commission that our current lending floating rate with SBI, New Delhi is SBI MCLR plus spread which works to close to 9% p.a. Hence, we have for the purpose of determination of ARR on interest on loan for FY 20 considered 9% p.a.

iii. The interest rate movement is subject to various economic factors and hence, we have considered a 10 to 25 basis point upward movement in interest for MYT FY 21 and FY 22.

iv. However, we wish to inform the Hon'ble Commission that while truing APR's for FY 20, FY 21 and FY 22 we would work out the actual interest cost with the actual weighted average rate of interest incurred by us and submit the same for consideration.

v. As MSEZL is able borrow at a lower rate, the consumers of MSEZL stand benefited.

vi. <u>Interest on Loan Capital for the MYT period FY 20, FY 21, and FY 22</u>

a) Table A

Rs. in Crores

Sl. No.	Particulars	FY 20	FY 21	FY 22	Remarks
1	Opening balance	23.87	23.87	23.16	Refer Form A-2 & Form D-9 for FY 19 of the current tariff filing
2	Add: New loans	-	-	-	Form D-9 for FY 19 of the current tariff filing
3	Less: Repayments	-	0.71	1.00	Form D-9 for FY 19 of the current tariff filing
4	Total loan at the end of the year	23.87	23.16	22.16	Refer Form A-2 & Form D-9 for FY 19 of the current tariff filing
5	Average loan	23.87	23.515	22.66	

6	Floating rate of interest %	9%	9.1%	9.25%	
7	Interest on capital loan	2.15	2.14	2.11	

b) The Hon'ble Commissions tariff regulations of Clause 3.6 thereof allows equity in excess of 30% of GFA being used to finance the capital investment as loans advanced and allows interest as per provisions thereof. Accordingly, the normative interest on excess equity investment is claimed for ARR for FY 19 as under.

Table B

Rs. in Crores

Sl. No.	Particulars	FY 20	FY 21	FY 22	Remarks
1	Normative debt Opening balance	12.45	12.45	12.08	Form D-9 for FY 19 of the current tariff filing
2	Add: Normative portion New loans	-	-		Form D-9 for FY 19 of the current tariff filing
3	Less: Normative portion Repayments	-	0.37	0.52	Form D-9 for FY 19 of the current tariff filing
4	Total Normative loan at the end of the year	12.45	12.08	11.56	Form D-9 for FY 19 of the current tariff filing
5	Average Normative loan at the end of the year	12.45	12.265	11.82	
6	Interest rate in %	9.01%	9.1%	9.25%	
7	Interest eligible for allowance on normative loan	1.14	1.11	1.10	

Note: The above interest calculations in Table A and Table B are based on the Gross block of fixed assets of Rs.65.16 Crore as on 1st April 2018.

c) Normative Interest claim on the fresh capital investment of Rs.1.96 Crore made in FY 18-19:

The Hon'ble Commission's tariff regulations on (i) allowability of returns on capital investment and (ii) calculation of interest on loan capital allows normative interest on capital loan – debt portion at 70% in relation to and arising out of fresh capital investments.

We bring to the kind attention of the Hon'ble Commission that the normative debt portion interest calculation under Table B, above, excludes the interest claim on debt investment arising out of fresh capital investment.

Table C

Rs. in Crores

Sl. No.	Particulars	FY 19	FY 20	FY 21	FY 22	Remarks
	Capital investment made and capitalized in FY 18-19 w.e.f.04.07.2018	1.96				
	Normative debt portion - @ 70 % of capital investment	1.39				
1	Normative debt Opening balance	-	1.30	1.30	1.26	Form D-9 for FY 19 of the current tariff filing
2	Add: Normative portion New loans	1.39	-	-	-	Form D-9 for FY 19 of the current tariff filing
3	Less: Normative portion Repayments	0.09	-	0.04	0.05	Form D-9 for FY 19 of the current tariff filing
4	Total Normative loan at the end of the year	1.30	1.30	1.26	1.21	Form D-9 for FY 19 of the current tariff filing
5	Average Normative loan at the end of the year	1.345	1.30	1.28	1.235	
6	Interest rate in %	8.2%	9%	9.1%	9.25%	
7	Interest eligible for allowance on normative loan	0.11	0.12	0.12	0.11	

d) Thus, for the MYT control period FY 20, FY 21 and FY 22 we request the Hon'ble Commission to allow interest on capital loan as under:

Table D

Rs. in Crore

Sl. No.	Particulars	FY 20	FY 21	FY 22
1	Interest on capital loan – Table A, above	2.15	2.14	2.11
2	Interest eligible for allowance on normative loan Table B, above	1.14	1.11	1.10
3	Interest eligible for allowance on normative loan – fresh capital investment	0.12	0.12	0.11
4	**Total interest claim**	**3.41**	**3.37**	**3.32**

vii. <u>Interest on Working Capital Loan:</u>

a) The Hon'ble Commission in the FY 19 tariff order dated 14th May, 2018 has approved interest on working capital considering the latest SBI MCLR rate *plus* 250 basis points.

b) Considering the above, we have also considered the latest one year SBI MCLR effective as on 01st October, 2018 at 8.5% plus 250 basis points. Thus, the effective working capital rate of 11% p.a. (8.5% plus 2.5%) is considered to work out the interest on working capital for FY 20.

c) The interest rate movement is subject to various economic factors. Since, the interest rate is subjective we have retained the working capital interest rate of FY 20 i.e.11% for calculating the FY 21 and FY 22 interest on working capital figures.

d) The management, considering the overall cost stack up, has decided that for FY 20 the interest on working capital claim be restricted to 50% only.

e) The interest on working capital loan for the MYT period FY 20, FY 21 and FY 22 is as under:

Table E

Rs. in Crore

Particulars	FY 20	FY 21	FY 22
O&M expenses for one month	0.12	0.13	0.14
Spares at 1% on GFA at the beginning of the year	0.67	0.67	0.67
Receivables equivalent to 2 months avg. billing	6.72	7.40	7.86
Total working capital	**7.51**	**8.2**	**8.67**
Rate of interest (% p.a.)	11%	11%	11%
Interest on Working capital	0.82	0.91	0.96
However, in the FY 20 ARR the claim on Interest on working capital for FY 20 is restricted to 25% of the normative claim.	**0.21**	-	-

Thus, we request the Hon'ble Commission to allow us the interest on working capital as Rs.0.21 Crore for FY 20, Rs.0.91 Crore for FY 21 and Rs.0.96 Crore for FY 22.

viii. Interest on Consumer Deposits for MYT control period FY 20, FY 21 and FY 22:

a) The consumer's security deposit outstanding as at 31.03.2019 Rs.3.81 Crore is assumed to be held by us through the MYT control period.

b) The RBI bank rate 6.75% p.a. as on 12th October, 2018 is considered for computation of interest on consumers deposits for the MYT control period.

c) However, we wish to inform the Hon'ble Commission that while truing APR's for FY 20, FY 21 and FY 22 we would consider the prevalent RBI bank rate with actual deposits position work out the actual interest cost and submit the same.

d) The interest on consumers deposit for the MYT period FY 20, FY 21 and FY 22 is as under:

Table F

Rs. in Crore

Particulars	FY 20	FY 21	FY 22
Average balance of consumers security deposits	3.81	3.81	3.81
Rate of interest	6.75%	6.75%	6.75%
Interest on consumers deposit	0.26	0.26	0.26

Thus, we request the Hon'ble Commission to allow us the interest on consumers deposit as Rs.0.26 Crore for FY 20, FY 21 and FY 22.

11.5 Return on Equity:

i. The equity base for the purpose of computation RoE is restricted to 30% of the GFA.

ii. The RoE for the MYT control period FY 20, FY 21 and FY 22 is calculated as under:

Table A

Rs. in Crore

Particulars	FY 20	FY 21	FY 22
The actual Equity share capital	35.55	35.55	35.55
Gross fixed assets	67.12	67.12	67.12
Allowable equity to allow RoE at 30% of GFA	20.136	20.136	20.136
Allowable RoE at 15.5%	3.12	3.12	3.12

iii. **However, at the time of filing the actuals for APR's FY 20, FY 21 and FY 22 the RoE on the actual gross fixed assets position would be claimed accordingly**.

iv. Thus, we request the Hon'ble Commission to allow us the RoE for FY 20 Rs.3.12 Cr, FY 21 Rs.3.12 Cr and FY 22 Rs.3.12 Cr.

11.6 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.

11.7 Non-tariff income, income from other business:

Based on the review of ledger accounts, the non-tariff income is nil.

11.8 It is submitted before the Hon'ble Commission to duly consider the ARR of MSEZL for MYT control period FY 20, FY 21 and FY 22 as above. The detailed workings in formats A1 to D24 is presented as annexure to these filings.

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12. COBMINED ARR for MYT Control Period FY 20,FY 21 & FY 22

Rs. in Crores

		FY 20	FY 21	FY 22
Ref Form-No	**PARTICULARS**			
	POWER PURCHASE (MU)	51.13	56.86	60.36
T1/D1	ENERGY AVAILABLE AT INTERFACE POINTS)	50.13	56.86	60.36
T2/D2	ENERGY SOLD	50.54	56.17	59.63
	DISTRIBUTION LOSS (%)	1.15%	1.21%	1.21%
	INCOME			
T2/D2	REVENUE FROM SALE OF POWER	40.32	44.41	47.14
T3/D3	TARIFF SUBSIDY FOR BJ/KJ & IP SETS			
T3/D3	REV SUBSIDIES & GRANTS			
T4/D4	OTHER INCOME	0.26	0.26	0.26
	TOTAL	**40.58**	**44.67**	**47.40**
	EXPENDITURE			
T1/D1	PURCHASE OF POWER	30.35	33.75	35.83
T5/D5	REPAIRS & MAINTENANCE	0.76	0.82	0.89
T6/D6	EMPLOYEES COSTS	0.45	0.48	0.52
T7/D7	ADM & GENERAL EXPENSES	0.26	0.28	0.30
T8/D8	DEPRECIATION AND RELATED DTS	2.84	2.84	2.84
T9/D9	INTEREST & FINANCE CHARGES	3.87	4.52	4.54
	SUB-TOTAL	**38.53**	**42.71**	**44.92**
T10/D10	LESS: EXPENSES CAPITALISED:			
	-INTEREST & FINANCE CHARGES CAPITALISED			
	-OTHER EXPENSES CAPITALISED			
	SUB-TOTAL	**38.53**	**42.71**	**44.92**
T11/D11	OTHER DEBITS (incl. Bad debts)			
T12/D12	EXTRAORDINARY ITEMS			
	TOTAL EXPENDITURE	**38.52**	**42.71**	**44.92**
	PROFIT (LOSS) BEFORE TAX			
	PROVISION FOR TAXES			
	Current Tax			
	Deferred Tax	0.55	0.36	0.19
	PROFIT (LOSS) AFTER TAX	**1.50**	**1.60**	**2.29**
T13/D13	NET PRIOR PERIOD Debits/Credits			
	RETURN ON EQUITY	**3.12**	**3.12**	**3.12**
	GAP	(1.62)	(1.52)	(0.83)

13. Tariff Revision Proposals for FY 20

A. ON APR FOR FY 18:

(i) The abstract of Profit and Loss for FY 18 is as under:

Sl. No.	Particulars	Amount in Rs. Crore
1	Uncontrolled expenditure – Power Purchase	24.95
2	Uncontrolled expenditure – Differential Power Purchase of FY 2015-16 paid in FY 18	0.60
3	Uncontrolled expenditure – TOD rebate deficit	0.14
4	Controllable expenditure	11.15
5	Total	36.84
6	Gross Revenue from sales of power **(including TOD deficit of Rs.0.14 Cr)**	34.90
7	Net revenue deficit	1.94

(ii) Proposal for FY 18:

- The revision of PP for FY 18, if any, resulting in increase of PP cost should be allowed to be recovered fully from consumers, since the PP cost being the direct/uncontrollable expenditure.
- **We request the Hon'ble Commission to not to offset the increase in the direct/uncontrollable expenditure i.e. PP cost with disallowance if any in the controllable expenditure.**
- **While approving the APR for FY 18, in case, the Hon'ble Commission increases the PP cost for FY 18, we request the Hon'ble Commission, to pass orders for recovery of the entire increase in PP cost from the consumers only, as has been done in the previous years.**
- The controlled expenditure Rs.11.15 Crore is managed within the approved expenditure of Rs.11.86 Crore.
- The net deficit of Rs.1.94 Crore is after considering the accrued revenue of Rs.3.91 Crore, allowed for recovery vide the Hon'ble Commissions RP order dated 28.10.2017 and confirmed in Hon'ble Commission tariff order for FY 19 dated 14.05.2018.

(iii) Recovery of revenue deficit for FY 18:

- The TOD rebate of Rs.0.14 Crore has resulted in the shortfall in the revenue from sale of power and has directly affected/contributed to the overall revenue deficit.
- The TOD rebate being an 'uncontrollable' expenditure, we request the Hon'ble Commission to allow us the recovery of net TOD rebate Rs.0.14 Crore.

  a. Either through recovery in the ARR of FY 20, as expenditure

  OR

  b. As an adjustment to the increase, if any, in the FY 18 power purchase cost.
- The management of MSEZL has decided to forego the revenue deficit of Rs.1.80 Crore is fully foregone, as under:

Sl. No.	Details	Amount in Rs. Cr.	Proposal for recovery
1	Total revenue deficit – FY 18	1.94	
2	Less:		
3	Uncontrollable expenditure - TOD net rebate	0.14	To be fully allowed for recovery.
4	Balance revenue deficit	1.80	Fully not proposed for recovery.

B. ON ARR for FY 20

(i) The existing revenue from charges (ERC) for FY 20 is as under:

Table A:

Sl. No.	Particulars	Details	Remarks
1	The average realization rate per kWh from existing charges	7.978	Refer Form D21
2	Projected energy sales in MUs for FY 20	50.54	Refer Form D2
3	**ERC for FY 20 (1*2) – Rs. in Crore**	**40.32**	Refer Form D21 and D2

(ii) The abstract showing the ARR for FY 20:

Table B:

Sl. No.	Particulars	Amount Rs. in Cr	Remarks
1	Uncontrollable expenditure	30.35	Refer Form D1 and Form A2
2	Controllable expenditure	11.04	Refer Form A2
3	**Total ARR (1+2)**	**41.39**	Refer RR-GAP

(iii) Revenue Deficit for FY 20:

Table C:

Sl. No.	Particulars	Amount Rs. in Cr	Remarks
1	ARR for FY 20	41.39	Table B above
2	ERC for FY 20	40.32	Table A above
3	**Revenue Deficit (1-2)**	**1.07**	Refer RR-GAP

(iv) Proposal for recovery of revenue deficit:

- To recover the revenue deficit of Rs.1.07 Crore, on estimated sales of 50.54 Mus, an increase of 21 Paise/kWh is required.
- MSEZL is proposing ***an increase in energy charges, across all the category of consumers, of 20 Paise/kWh***.
- The proposal for increase in energy charges by 20 Paise/kWh would help to reduce the revenue deficit by Rs.1.02 Crore.
- On the balance revenue deficit of Rs.0.05 Crore, MSEZL proposes to come before the Hon'ble Commission considering the overall performance for FY 20 while filing the APR for FY 20.
- **The power purchase rate/kWh from MSECOM for FY 20 is considered at FY 19 approved rate of Rs.5.936/kWh. In the event this rate goes up, MSEZL requests the Hon'ble Commission to pass this increase also to our consumers in addition to the tariff increase of 20 paise/kWh proposed by us, as above.**

Table D:

Sl. No.	Particulars	Details
1	The average realization rate per kWh from existing charges	Rs.7.978/kWh
2	Projected energy sales MUs in FY 20	50.54 MUs
3	ERC (1*2) – Rs. in Crores	Rs.40.32 Cr
4	Proposed increase in energy charges per kWh	Rs.0.20/kWh
5	Average realization rate per kWh (1+4)	Rs.8.18/kWh
6	Expected revenue for FY 20 (2*5) – Rs. in Crore	Rs.41.34 Cr
7	Expected additional revenue at proposed charges (6-3) – Rs. in Crore	Rs.1.02 Cr
8	Proposed percentage increase in tariff (4/5)	2.53%

C. Tariff category and rates Proposed for FY 20

We are proposing before the Hon'ble Commission the retail supply tariff for FY 20 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	14	25.85	49.59	Fixed Charges/KVA	200	5.27	
						Energy Charges	6.85	33.97	7.91
2	HT	Construction	1	1.00	0.55	Fixed Charges/KVA	240	0.24	
						Energy Charges	10	0.55	14.36
3	LT	Industrial	8	0.15	0.40	Fixed Charges/KVA	190	0.03	
						Energy Charges	6.35	0.26	7.00
4	LT	Construction	-	-	-	Fixed Charges/HP	240		
						Energy Charges	10		
Total (HT +LT)			**23**	**27**	**50.54**			**40.32**	**7.978**

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	14	25.85	49.59	Fixed Charges/KVA	200	5.27	
						Energy Charges	7.05	34.97	8.11
2	HT	Construction	1	1.00	0.55	Fixed Charges/KVA	240	0.24	
						Energy Charges	10.20	0.56	14.55
3	LT	Industrial	8	0.15	0.40	Fixed Charges/KVA	190	0.03	
						Energy Charges	6.55	0.26	7.25
4	LT	Construction	-	-	-	Fixed Charges/HP	240	-	-
						Energy Charges	10.20	-	
TOTAL (HT+LT)			**23**	**27**	**50.54**			**41.34**	**8.18**

D. On Wheeling Charges and Cross Subsidy Surcharge:

The Hon'ble Commission in FY 19 tariff order has directed that for FY 19 the wheeling charges and Cross Subsidy Surcharge as determined by the Hon'ble Commission for MESCOM/across all ESCOM's shall apply.

For the MYT control period FY 20 to FY 22 wheeling charges, MSEZL submits to the Hon'ble Commission to kindly adopt similar procedure and pass necessary orders. This submission is made as we are a small licensee.

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14. Prayer

MSEZL with averments made in the respective Chapters of the present application duly detailing the revenue requirements and expected revenue from the existing tariff charges, respectfully prays the Hon'ble Commission to:-

1. Pass appropriate order for FY 18 based on APR submitted and detailed in chapter 4 and chapter 13.
2. Consider the tariff structure and proposal for FY 20 detailed in the Chapter-13 and approve tariff proposal in this Tariff Application.
3. 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.
4. Pass appropriate orders on the application made by MSEZL.

For **Mangalore SEZ Limited**

Place: Mangalore

Date: 22.11.2018

Authorized Signatory