Annexure-'A'

Methodology for computing IRR for the Projects.

For computing the IRR of a Project which is proposed to be brought up either on the existing centre or on a new centre, following methodology for financial evaluation of the project shall be adopted:

1. With regard to the cost of establishment, no. of employees for each slab of capacity would be taken as per the staffing norms enclosed(Annexure 'B'). Other expenses on repair & maintenance, insurance, chemical covers and also the pay & allowances would be taken as under:

S. No.	Particulars	Cost 2008-09 (Rs. per MT of available capacity)	Per employee cost for 2008-09(Rs. In lakh)
(i)	Pay & Allowances(including the cost of RO & CO) (a) For 'A' and 'B' category officers (b) For 'C' & 'D' category.		 11.20 6.60
(ii)	Repairs & Maintenance	17.78	
(iii)	Insurance	8.40	
(iv)	Chemical/ Covers /Dunnages	5.38	
(v)	Travelling Allowances	4.24	
(vi)	Wages	4.72	
(vii	Rates & Taxes	17.45	
(viii	Other Misc. Expenditures	81.79	

The above costs under different sub-heads have been worked out based on last five years audited accounts except for the establishment cost, which is based on the financial year 2008-09. These costs have been computed by the Fin. Div. and would be circulated from time to time.

2. The employee cost be taken according to number of employees fixed for the slabs based on capacity of the warehouse and to be added as per the staffing norms e.g. a warehouse is having a capacity of 15000 tonnes and another 5000 MT is proposed to be added then the additional cost of one 'C' category employee shall be added under pay & allowances. Similarly if a new centre is to be opened with a capacity of 15000 tonnes then the cost of one Manager from 'A' & 'B' category and 3 JTA/JS/WAG-I under 'C' category would be accounted for.

3. Depreciation on Land (Lease Hold) will be taken based on lease period of land. The depreciation on Cost of Construction be normally taken based on the life of 30 years, as IRR for the project is also calculated with project life span of 30 years. The salvage value of the building may be taken @ 30% of construction cost. In case, the left over lease period of land is less than 30 years, the unexpired period for lease rent will be taken for evaluation purpose.

4. The Tax benefit as per the Income Tax Act will be taken for the calculation of IRR calculation. The rate may be considered as 33.99% (i.e. 34%) or the rate existing in the year i.e. project is assessed.

5. The above costs are for the year 2008-09 which may be escalated at the rate of 6.6% per annum, taking the same as base rate for subsequent years. The rates will be subject to review periodically. For current year cost i.e. first year, the escalation factor of 6.6% per annum be taken.

6. The cost of equipment like Lorry Weighbridge in case required be considered as outflow in the first year of installation for calculating the IRR. Cost of assets other than the land and building are to be considered alongwith the project cost as cash outflow for which estimate is to be made by Region depending on the requirement.

7. The income may be estimated based on the type of business & percentage of occupancy to be communicated by RM and confirmed by the Commercial Division. The occupancy land for the centres which is to be estimated by RM based on the last five years utilization rate of RO. In case expected utilization is higher or lower than the average occupancy, RM should give reason for the same. The annual increase in the income may be taken as under, which have been arrived at based on past experience:

For Storage Income	@6.5% p.a.
For MF Income	@5% p.a.
For DESS Income	@5% p.a.

As there is backlog in fixation of tariff for FCI, the above rate of yearly increase of 6.5% in storage income from FCI be considered to estimate the storage income.

8. MF income (income from H&T Operation) is to be considered based on the RM's/ Commercial Division's recommendations.
MF expenditure would be considered on the following basis based on the past experience:

For FCI business	92.60% for MF income
For Other General Business	87% of MF income
For CFS business	66.67% of MF income.

The income would be intimated by the RM .

9. Wherever DESS income is considered, corresponding chemical consumption cost @ 32% of DESS income may be considered as expenditure.

10. The costs given above are to be taken for the full capacity being constructed, as rate per MT stated above at S.No.1 are based on average capacity available per MT.

11. As approved by the BOD, the minimum rate of IRR is 10% for General Warehouses and 12% for Industrial Warehouses.

12. Based on the above parameters, the project cost estimates including Departmental Overheads to be informed by CO from time to time, will be prepared by the concerned CC heads and submitted to RM the Engineering Division, Corporate Office for its scrutiny and seeking approval. The approved cost estimate will be intimated to RM for IRR calculation.

13. Based on the Cost Estimates received from the CC heads, the IRR will be computed by RO and will be sent to Engg. Div., C.O. for the approval of Competent Authority in consultation with the Commercial and Finance Division.

14. The above cost Escalation rates in Income and Expenditure will be updated based on the audited accounts periodically after every three years which would be circulated from time to time.

15. In case required IRR is not coming from the project and RM feels that project is justified, he should look into the following aspects and give his due recommendations:

    a) If, there is a possibility that in the first few years, the capacity utilization is low but same may get improved in the later years and if their projection is different from the average utilization of the Region, then necessary recommendations can be made by RM.

    b) The cost of land may be taken on proportionate basis depending upon the total capacity which can be created on the land viz-a-viz capacity being proposed. If at a later stage, additional capacity is to be created, in that case, the proportionate cost of land will be considered for the purpose of IRR. If the land is more than 20 years old, then in that case, the cost of land may be ignored, with the approval of Competent Authority.

Annexure-'B'

Staffing norms to be observed as per the capacity of the Warehouse:

S. No.	Capacity of WH in MT	Manager	TA/ JTA	JS/WA-I & II	Security guards	Total
1	Upto 5000		1	1	4	2
2	5000 to 10000		1	2	4	3
3 .	10000 to 15000	1	1	2	4	4
4	15000 to 20000	1	1	3	4	5
5	20000 to 35000	1	2	3 to 5	5	6 to 8(1 person on each 5000 MT capacity addition)
6.	35000 to 50000	1	3	5 to 6	6	9 to 10(addition of 1 person per 7500 MT in this slab)
7	50000 and above	1	4	6	8+(as per require-ment of RM)	10+(1 person to be added per 10000 MTC additionally)

Annexure 'C'

Calculation of IRR			
	CENTRE NAME	MOGA-II	
	CAPACITY in MT	9600	Fig In Rs Lacs
SL No	Particulars	details /Area	Amount
1	Cost of Land including registration charges, if any(as per norms)		7.87
2	Cost of Construction		311.22
3	Cost Of Equipments (Lwb etc)		0.00
4	**Total Capital Cost**	In Rs	319.09
5	**Tax Benifit from Capital Investment**	%	34.0%
6	Occupancy level(%)(1 to 4 years)	%	100.0%
	Occupancy level(%)(5 to 30 years)	%	85.0%
	(a) Existing capacity	MT	101000.00
	(b) Capacity to be added	MT	9600.00
	(c) Total Capacity.	MT	110600.00
	(d) Capacity utilization in MT.	MT	9600.00
7	Escalation in Revenue PA		
	Storage Income	%	6.5%
	MF Charges	%	5.0%
	Any other Income (dess etc)	%	5.0%
8	Escalation in Expenditure PA	%	6.6%
9	Expected time of Commencement after 2008-09 (Yrs)		2
10	Salvage Value of godown cost after 30 years	%	30.0%
11	Depreciation Rate on staight line for 30 years	%	3.33%
12	Income Tax Rate	%	34.00%
13	**Effective IRR of the Project**	%	**17.29%**